Agriculture and Agri-Food Canada

2011–12

Departmental Performance Report

Table of Contents

Minister's Message 1

Section I: Organizational Overview 3

- Raison d'être 3
- Responsibilities 3
- Strategic Outcomes and Program Activity Architecture 4
- Organizational Priorities 6
- Risk Analysis 10
- Summary of Performance 13
- Expenditure Profile 20
- Estimates by Vote 21

Section II: Analysis of Program Activities by Strategic Outcome 23

- Strategic Outcome 1: An environmentally sustainable agriculture, agri-food and agri-based products sector 23
- Program Activity 1.1: Environmental Knowledge, Technology, Information and Measurement 23
- Performance Summary and Analysis of Program Activity 24
- Lessons Learned 25
- Program Activity 1.2: On-Farm Action 25
- Performance Summary and Analysis of Program Activity 27
- Lessons Learned 28
- Strategic Outcome 2: A competitive agriculture, agri-food and agri-based products sector that proactively manages risk 28
- Program Activity 2.1: Business Risk Management 29
- Performance Summary and Analysis of Program Activity 30
- Lessons Learned 31
- Program Activity 2.2: Food Safety and Biosecurity Risk Management Systems 32
- Performance Summary and Analysis of Program Activity 33
- Lesson Learned 34
- Program Activity 2.3: Trade and Market Development 34
- Performance Summary and Analysis of Program Activity 35
- Lessons Learned 36

Program Activity 2.4: Regulatory Efficiency Facilitation 37
Performance Summary and Analysis of Program Activity 38
Lessons Learned 38
Program Activity 2.5: Farm Products Council of Canada 38
Performance Summary and Analysis of Program Activity 39
Lessons Learned 40
Strategic Outcome 3: An innovative agriculture, agri-food and agri-based products sector 41
Program Activity 3.1: Science, Innovation and Adoption 41
Performance Summary and Analysis of Program Activity 42
Lessons Learned 44
Program Activity 3.2: Agri-Business Development 44
Performance Summary and Analysis of Program Activity 45
Lessons Learned 46
Program Activity 3.3: Rural and Co-operatives Development 46
Performance Summary and Analysis of Program Activity 47
Lessons Learned 48
Program Activity 3.4: Canadian Pari-Mutuel Agency 48
Performance Summary and Analysis of Program Activity 49
Lessons Learned 50
Program Activity 4.1: Internal Services 50
Changes to Government Structure 55

Section III: Supplementary Information 57
Financial Highlights 57
Financial Highlights — Graphs 58
Financial Statements 60
List of Supplementary Information Tables 61

Section IV: Other Items of Interest 63
Organizational Contact Information 63

Minister's Message

The Canadian agriculture, agri-food, and agri-based products sector is feeding Canada's economy, fuelling more than two million jobs nationwide and contributing over eight per cent of our gross domestic product. In 2011, farmers earned more money from the global marketplace than ever before, with exports reaching more than $44 billion in agriculture, food and seafood – a new Canadian record.

Our Government's goal is to set the right conditions for farmers and processors to compete and succeed, as well as provide the best possible service to farmers and the sector, and value to taxpayers.

Through Economic Action Plan 2012, the *Growing Forward* suite of programs, and other key Agriculture and Agri-Food Canada (AAFC) initiatives, we are helping farmers innovate and compete in domestic and export markets. Work is under way with the provinces, territories and industry on the next agriculture policy framework, focussing on investments in innovation, competitiveness, market access, and regulatory reform to carry the sector forward in the years to come.

Research and innovation continue to be a priority for our Government. By further expanding partnerships, developing more national capacity and expertise, and leveraging greater private sector investment, we will be able to better support farmers and improve productivity and economic growth in the agricultural sector.

One in five Canadian jobs depends on trade, and our Government is working hard to deepen our trading relationships around the world. Over the past year, I have traveled with industry representatives to key markets, including the United States, China and Russia. We reopened beef trade with China and South Korea, our last significant Asian market to reopen following border closures due to the discovery of bovine spongiform encephalopathy (BSE) nine years ago.

While defending Canada's system of supply management and ensuring our trading partners play by science-based rules, we are pursuing bilateral and multi-lateral free trade agreements (FTAs) as part of our ambitious pro-trade plan. We have concluded FTAs with nine countries in less than six years, and are currently negotiating agreements with more than 50 countries, including major markets such as the European Union, India and Japan.

In November 2011, we welcomed the World Trade Organization's (WTO) ruling that the United States mandatory Country-of-Origin Labelling measure is inconsistent with its WTO trade obligations. Removing onerous labelling measures and unfair, unnecessary costs will improve competitiveness, boost growth and help strengthen the prosperity of Canadian and American producers alike.

With the new *Marketing Freedom for Grain Farmers Act*, Western Canadian farmers now have the freedom to choose how to market their wheat and barley. This is a significant example of how our Government delivers on its promises to expand international export opportunities across the entire grain value-chain and unleash the entrepreneurial spirit of farmers in this country.

As always, I know I can rely on the continuing collaborative efforts of my entire Portfolio team to support me in tackling the agricultural sector's challenges, while helping the sector to capitalize on its tremendous potential for growth and future prosperity.

It is a great time to be in agriculture. Demand is strong. The farm economy is strong. Our agricultural and food exports are at record levels, and the outlook for the next decade is bright. With abundant natural resources and a skilled and professional workforce, Canada's farmers and food processors are well placed to meet the needs of Canadians and an ever-growing global marketplace.

Honourable Gerry Ritz, P.C., M.P.,
Minister of Agriculture and Agri-Food

Section I: Organizational Overview

Raison d'être

The Department of Agriculture and Agri-Food Canada was created in 1868 – one year after Confederation – because of the importance of agriculture to the economic, social and cultural development of Canada. Today, the Department helps ensure the agriculture, agri-food and agri-based products industries can compete in domestic and international markets, deriving economic returns to the sector and the Canadian economy as a whole. Through its work, the Department strives to help the sector maximize its long-term profitability and competitiveness, while respecting the environment and the safety and security of Canada's food supply.

Responsibilities

AAFC provides information, research and technology, and policies and programs to help Canada's agriculture, agri-food and agri-based products sector increase its environmental sustainability, compete in markets at home and abroad, manage risk, and embrace innovation. The activities of the Department extend from the farmer to the consumer, from the farm to global markets, through all phases of producing, processing and marketing of agriculture and agri-food products. In this regard, and in recognition that agriculture is a shared jurisdiction, AAFC works closely with provincial and territorial governments.

AAFC's mandate is based upon the *Department of Agriculture and Agri-Food Act*. The Minister is also responsible for the administration of several other Acts (www.agr.gc.ca/acts), such as the *Canadian Agricultural Loans Act*.

The Department is responsible for ensuring collaboration among the organizations within the Agriculture and Agri-Food Portfolio; this means coherent policy and program development and effective cooperation in meeting challenges on cross-portfolio issues. The other portfolio organizations (www.agr.gc.ca/portfolio) include: the Canadian Dairy Commission; the Canadian Food Inspection Agency; the Canadian Grain Commission; Farm Credit Canada; Canada Agricultural Review Tribunal; and the Farm Products Council of Canada. AAFC also includes the Canadian Pari-Mutuel Agency, a special operating agency that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada.

Strategic Outcomes and Program Activity Architecture

Strategic Outcomes

To effectively pursue its mandate and make a difference to Canadians, AAFC's policies and programs are designed to achieve the following three Strategic Outcomes (SO):

SO 1 – An environmentally sustainable agriculture, agri-food and agri-based products sector

AAFC supports an economically and environmentally sustainable agriculture, agri-food and agri-based products sector that ensures proper management of available natural resources and adaptability to changing environmental conditions. Addressing key environmental challenges in Canada, including agriculture's impact on water quality and water use, adaptation to the impact of climate change, mitigation of agriculture's greenhouse gas emissions and the exploration of new economic opportunities, will contribute to a cleaner environment and healthier living conditions for the Canadian public, while enabling the sector to become more profitable.

SO 2 – A competitive agriculture, agri-food and agri-based products sector that proactively manages risk

Canada's capacity to produce, process and distribute safe, healthy, high-quality and viable agriculture, agri-food and agri-based products is dependent on its ability to proactively manage and minimize risks and to expand domestic and global markets for the sector by meeting and exceeding consumer demands and expectations. Proactive risk management to ensure food safety, market development and responsiveness, and improved regulatory processes contribute directly to the economic stability and prosperity of Canadian farmers and provides greater security for the Canadian public regarding the sector.

SO 3 – An innovative agriculture, agri-food and agri-based products sector

Sector innovation includes the development and commercialization of value-added agricultural-based products, knowledge-based production systems, processes and technologies, and equipping the sector with improved business and management skills and strategies to capture opportunities and to manage change. Such innovation is vital for ongoing growth and improvement in the productivity, profitability, competitiveness, and sustainability of Canada's agriculture, agri-food and agri-based products sector and its rural communities.

Program Activity Architecture

The following graphic displays AAFC's Program Activities and Program Sub-Activities that comprise its Program Activity Architecture (PAA). This PAA reflects how the Department allocates and manages its resources and makes progress toward its Strategic Outcomes.

AAFC's 2011–12 Program Activity Architecture

1. An environmentally sustainable agriculture, agri-food and agri-based products sector

1.1 Environmental Knowledge, Technology, Information and Measurement

- 1.1.1 Agri-Environmental Science
- 1.1.2 Agri-Environmental Applications
- 1.1.3 Agri-Environmental Sustainability Assessment

1.2 On-Farm Action

- 1.2.1 Technical Information Transfer
- 1.2.2 Agri-Environmental Risk Assessement
- 1.2.3 Agri-Environmental Risk Assessement Implementation
- 1.2.4 AgriFlexibility - Environmental Action

2. A competitive agriculture, agri-food and agri-based products sector that proactively manages risk

2.1 Business Risk Management

- 2.1.1 AgriStability
- 2.1.2 AgriInvest
- 2.1.3 AgriRecovery
- 2.1.4 AgriInsurance
- 2.1.5 *Canadian Agricultural Loans Act*
- 2.1.6 *Agriculture Marketing Programs Act*
- 2.1.7 Hog Industry Loan Loss Reserve
- 2.1.8 Hog Farm Transition

2.2 Food Safety and Biosecurity Risk Management Systems

- 2.2.1 Biosecurity
- 2.2.2 Food Safety and Biosecurity Science
- 2.2.3 Food Safety Systems
- 2.2.4 Traceability
- 2.2.5 AgriFlexibility - Protection of the Food Supply
- 2.2.6 AgriFlexibility - Livestock Auction Traceability

2.3 Trade and Market Development

- 2.3.1 Trade Negotiations and Market Access
- 2.3.2 Market Growth
- 2.3.3 Sector Competitiveness
- 2.3.4 AgriFlexibility - Increased Market Demand
- 2.3.5 AgriFlexibility - Canada Brand Advocacy

2.4 Regulatory Efficiency Facilitation

- 2.4.1 Pest Management
- 2.4.2 Health Claims, Novel Foods, and Ingredients

2.5 Farm Products Council of Canada

3. An innovative agriculture, agri-food and agri-based products sector

3.1 Science, Innovation and Adoption

- 3.1.1 Science Supporting Agricultural Innovation
- 3.1.2 Canadian Agricultural Adaptation
- 3.1.3 Agri-Innovations
- 3.1.4 ecoAgriculture Biofuels Capital Initiative
- 3.1.5 Agri-Opportunities
- 3.1.6 AgriFlexibility - Science Addressing Market Opportunities and Challenges
- 3.1.7 AgriFlexibility - Agri-Based Processing

3.2 Agri-Buisness Development

- 3.2.1 Farm Debt Mediation Service
- 3.2.2 Business Development
- 3.2.3 Slaughter Improvement
- 3.2.4 AgriFlexibility - Profitability Improvement
- 3.2.5 Cattle Slaughter Industry Assistance

3.3 Rural and Co-operatives Development

- 3.3.1 Rural Development
- 3.3.2 Co-operatives Development

3.4 Canadian Pari-Mutuel Agency

Strategic Outcome

Program Activity

Program Sub-activity

4.1 Internal Services

Organizational Priorities

Driven by innovation, today's agriculture and agri-food sector is an important engine for economic growth in Canada. While primary agriculture remains a significant part of the agri-food system, food processing is a growing contributor in most provinces.

Through work on its priorities, AAFC supports the competitiveness and profitability of the sector. In 2008, federal, provincial and territorial (FPT) governments launched the *Growing Forward* policy framework (www.agr.gc.ca/growingforward) to foster an innovative and competitive sector that can proactively manage its risks. *Growing Forward* included investments in key areas such as science and innovation, food safety systems, business and skills development, and risk management programming.

In 2011–12, AAFC continued delivering *Growing Forward* programs and initiatives in partnership with the provinces and territories. *Growing Forward* is the cornerstone of the FPT relationship for agriculture and agri-food and ensures that governments work collaboratively to address the challenges and opportunities facing the sector.

The current framework is scheduled to expire in March 2013. FPT governments are working to ensure its successor policy framework will position the industry to meet the challenges in the decade ahead. The next policy framework will take into account, among other things, the results of planned evaluations of existing programming, where applicable, and the views of stakeholders.

Ongoing AAFC priorities complement efforts on *Growing Forward* and contribute to the competitiveness in the sector. The Department coordinates initiatives between governments and stakeholders on an ambitious market development and trade agenda. The Department is also implementing its science and innovation agenda, as well as leading and participating in scientific discovery, research, and knowledge and technology transfer to support innovative products and processes to improve the productivity and profitability of the sector. This will be enhanced by modernizing the federal regulatory framework in collaboration with Health Canada and the Canadian Food Inspection Agency (CFIA). The Department also recognizes that young farmers represent the future of the sector and is helping develop tools and resources so these producers can become even more viable and competitive over the long term.

In 2011–12, AAFC delivered on the Government of Canada's priority of providing marketing freedom to Western Canadian grain farmers through the development of the *Marketing Freedom for Grain Farmers Act* (http://laws-lois.justice.gc.ca/eng/acts/M-1.5/index.html). This important legislation received Royal Assent on December 15, 2011, and came into force on August 1, 2012. The Department continues to support a viable, voluntary Canadian Wheat Board (CWB) by engaging the CWB, farmers, federal and provincial partners, and the entire supply chain, to provide information and support for the transition to an open, competitive wheat, durum and barley market in Western Canada.

The Clerk of the Privy Council asked the Deputy Minister to oversee the implementation of the 57 recommendations of the Report of the Independent Investigator into the 2008 Listeriosis Outbreak (the Weatherill Report). The Deputy Minister chaired a committee of Deputy Heads responsible for CFIA, Health Canada and the Public Health Agency of Canada that oversaw actions by federal food safety partners to strengthen the food safety system by reducing food safety risks, enhancing surveillance and early detection of food-borne pathogens and illnesses, and improving emergency response. The Government of Canada released the final report to Canadians on the actions taken to respond to all of the Weatherill Report recommendations on December 19, 2011.

To guide delivery of its priorities for the federal government, the agricultural sector and Canadians, the Department engaged its employees in developing new vision and mission statements (introduced in the 2012–13 Report on Plans and Priorities (www.tbs-sct.gc.ca/rpp/2012-2013/index-eng.asp?acr=1927). AAFC remained committed to management excellence in delivering its policies and programs to achieve the best results for the agriculture and agri-food sector and all Canadians. Of particular importance was enhancing programs and service delivery and strengthening human resources capacity. Additional information on these and other departmental priorities is provided in the following table.

Summary of Progress Against Priorities

Priority	Type	Strategic Outcomes
Enable and enhance science and innovation	Ongoing	SO 1 – An environmentally sustainable sector SO 2 – A competitive sector that proactively manages risk SO 3 – An innovative sector
AAFC contributed to developing innovative food and other products and services derived from agriculture. The Department's researchers helped create and transfer new knowledge, intellectual property and technologies to the sector, relevant to emerging markets for food, feed, fibre, health and wellness, energy, and industrial products and ingredients. AAFC scientists developed novel technologies to improve the well-being of Canadians with breakthroughs in functional foods and bio-control products to improve safety, reliability and quality of the food supply. AAFC also helped establish the Canadian Wheat Improvement Consortium to increase investment in wheat research and helped increase Canada's research capacity through the Genomics Research and Development Initiative.		

Priority	Type	Strategic Outcome
Enhance trade and market interests	Ongoing	SO 2 – A competitive sector that proactively manages risk
Through trade negotiations, trade missions, marketing initiatives, and other related activities, AAFC helped secure markets and create new opportunities for the Canadian agricultural and agri-food industry. Please see the discussion in Section II, PA 2.3 Trade and Market Development for details.		

Priority	Type	Strategic Outcomes
Develop the successor policy framework to *Growing Forward*	New	SO 1 – An environmentally sustainable sector SO 2 – A competitive sector that proactively manages risk SO 3 – An innovative sector

AAFC completed Phase 2 of stakeholder engagement on the next FPT agricultural policy framework, in collaboration with provincial and territorial governments. Building on progress in Phase 1, Phase 2 consisted of:

- bilateral meetings with provincial and national organizations, and federations of agriculture;
- meetings with young farmers, innovators and national organizations;
- public meetings across the country with a variety of stakeholders including industry organizations, academia, and others; and
- submissions by individuals.

Phase 2 focused on two key outcomes: (1) Competitiveness and Market Growth and (2) Adaptability and Sustainability; and two key drivers: (1) Innovation and (2) Institutional and Physical Infrastructure. At its conclusion, Phase 2 had achieved a mutual understanding by industry and government on the proposed new policy framework and on what is required to enable the sector to achieve success. The summary report for Phase 2 engagement, entitled *As it Was Heard — Positioning the Sector for Success* (http://www4.agr.gc.ca/resources/prod/doc/doc/pdf/gf2_ca2_phase_2_position_positionner_eng.pdf) was published on March 23, 2012.

Priority	Type	Strategic Outcome
Enable and enhance the sector's environmental performance	Ongoing	SO 1 – An environmentally sustainable sector
AAFC continued to develop and provide expertise and tools required to help the sector adapt to climate change, and manage nutrient and water issues, as well as meet demands from supply chains, consumers and local communities. Work progressed on agri-environment programs under the *Growing Forward* agricultural policy framework, with emphasis on: risk assessment, plans and incentives for on-farm actions targeted to sector priorities; increased sector productivity; and improved environmental performance. AAFC enhanced integration of research with agri-environmental policy and programming through increased collaboration with key stakeholders in Canada and through global forums. AAFC continued to integrate its research, science and environmental efforts to foster innovation, technology transfer and adoption, and to assist the sector to be even more resilient and sustainable in the face of complex agri-environmental challenges. The Department continued to work with its partners to conserve air, water, soils, and biodiversity through stewardship practices, and to improve ecosystems by increasing scientific knowledge and technology transfer.		

Priority	Type	Strategic Outcomes
Foster Public Service Renewal	Ongoing	SO 1 – An environmentally sustainable sector SO 2 – A competitive sector that proactively manages risk SO 3 – An innovative sector
Supporting Public Service Renewal continued to be one of the Department's management priorities. The 2011 AAFC *Report on Public Service Renewal* was recognized by the Privy Council Office as a comprehensive plan, with a strong focus on the business of the Department and purposeful links to renewal. The activities in 2011–12 included: efforts to improve the delivery of programs and services to clients; actively engaging employees on the future of the organization and the attributes of a modern, knowledge-based organization; the roll-out of a national mentoring program; and the ongoing activities of the Inclusiveness Management Committee to foster an inclusive and diverse workplace.		

Priority	Type	Strategic Outcomes
Enhance the management and delivery of programs and services	Ongoing	SO 1 – An environmentally sustainable sector SO 2 – A competitive sector that proactively manages risk SO 3 – An innovative sector
AAFC continued to improve, refine and streamline its program administration to ensure efficient and responsive service to its clients while maintaining both the integrity and accountability of departmental programs. Please see the discussion in Section II, PA 4.1 Internal Services, Service Delivery, for details.		

AAFC's three-year *2009–2012 Integrated Human Resources Plan* was a key component of the Department's integrated planning approach. During the final year of the *Plan*, an internal audit of integrated human resources planning was conducted. The audit found that, while AAFC has made progress on an integrated systematic planning framework for aligning its human resources with business objectives, there are opportunities to improve future human resources planning. The audit's recommendations will be reflected in *AAFC's 2013–2015 Integrated Human Resources Plan*. The *Plan* will continue to support departmental Strategic Outcomes and priorities by identifying key human resources issues facing the Department and developing strategies to address them.

Risk Analysis

Understanding the state of the agricultural sector supports effective decision-making and effective policy and program design and delivery.

The agriculture and agri-food sector saw stable growth for major commodities beyond what was originally forecasted. At the same time, the average debt-to-asset ratios for farms was forecast to be 16%, which represents a slight decline over the last few years, while average farm net worth was forecast to increase to $1.6 million. Interest rates declined to near-record-low levels of 3% in 2011, allowing farm operations more flexibility to make investment decisions and manage in an uncertain economic environment.

The Canadian dollar appreciated by 4.7% in 2011 relative to the U.S. dollar, off-setting some commodity price increases and some of the effects of higher input prices. Farm incomes were up as a result. The stronger dollar also provided an opportunity for farmers and processors to boost productivity with the help of lower-priced imported machinery, equipment and labour.

Crop and livestock production were also affected in 2011 by adverse weather events and excess moisture that hampered planting, harvesting and access to forage and pastureland for livestock. The suite of Business Risk Management (BRM) programs supported producers with the challenges they faced.

The grain sector has also begun a major transformation in the way it conducts business as a result of the passage of the *Marketing Freedom for Grain Farmers Act* in December 2011. As of August 1, 2012, Western Canadian grain farmers have the ability to market wheat and barley to the buyers of their choice.

The Government has ensured that producers of wheat and barley continue to have access to funding through the Advance Payments Program by changing the program administrator from the Canadian Wheat Board (CWB) to the Canadian Canola Growers Association. The repeal of the *CWB Act* on August 1, 2012 also removed the existing wheat and barley check-off collection mechanism, so the Government is establishing a new check-off mechanism under the *Canada Grain Act* to ensure that funding continues for wheat and barley research, market development and technical support.

Through several initiatives in 2011–12, AAFC has helped industry respond to risks and take advantage of opportunities to meet changing consumer demands. Marketing activities in Japan, Mexico and Germany have promoted Canadian products directly to consumers through partnerships with major foreign retailers and restaurants, demonstrating the quality and diversity of products from Canada. The Department also worked with food processors and retailers to improve the labelling of Canadian products and held retail promotions in stores across the country, addressing demands by domestic consumers for clearer identification of Canadian products.

Other risks and challenges faced by the sector in 2011 resulted from changes to regulations and policies in other countries regarding food safety and quality standards. For instance, the Canadian livestock industry bore the brunt of the financial impacts of mandatory country of origin labeling (COOL) in the U.S., its largest export market. Canada successfully challenged COOL at the World Trade Organization (WTO) in November 2011 and will continue to defend the interests of affected producers in future dispute resolution processes.

In terms of AAFC's operating environment, as the employee population ages and retirements continue to peak, maintaining workforce capacity to deliver results to Canadians is important. This is being tackled through the creation of programs to ensure transfer of knowledge about the agriculture sector and to develop management competencies. In a climate of sustained fiscal restraint across the public service, AAFC is committed to ongoing refinement of its integrated business planning process to align human and other resources to deliver on business priorities.

AAFC integrates risk and opportunity management into decision-making processes and business practices. The Corporate Risk Profile, which is updated annually to inform departmental and branch priority setting and integrated business planning, provides information on the most significant risks facing AAFC and outlines key management response strategies. The following chart provides a brief description of the risks identified in AAFC's *2011–2012 Corporate Risk Profile*, and summarizes the status of response strategies. (Note: the following corporate risks did not materialize in 2011–12.)

Risk*	Status of Risk and Mitigation Strategies
Catastrophic Crisis A large-scale event could present a severe risk to the sector and/or Canadians at large.	Response strategies progressed satisfactorily. AAFC continued to contribute to federal and provincial emergency plans, Public Safety Canada and Canada Border Service Agency policy documents and plans, and North Atlantic Treaty Organization (NATO) agriculture planning documents. Work advanced on the economic analysis, financial program impact and economic recovery strategy scenarios in developing *the Livestock Market Interruption Strategy*, which aims to mitigate impacts of a foreign animal disease outbreak or prolonged border closure.

Risk*	Status of Risk and Mitigation Strategies
Information Management/Information Technology (IM/IT) Disaster Recovery Readiness IM/IT business tools are used to deliver critical services to the public. Since services are provided by various sites, the loss of any data centre location (Ottawa, Winnipeg and Regina) would severely impede AAFC's ability to deliver those services. AAFC also provides numerous services to other government departments from these sites.	AAFC made significant progress on its *IM/IT Disaster Recovery Readiness* by implementing disaster recovery plans that ensure the essential components of critical AAFC services will continue following a major outage. Disaster recovery plans have been completed and tested for three of six critical IM/IT systems. Plans for the remaining three systems will be completed and tested in 2012–13.
Infrastructure Aging of infrastructure and assets could impair AAFC's significant moveable assets and physical infrastructure holdings, impeding achievement of strategic outcomes.	Response strategies progressed satisfactorily. AAFC infrastructure investments were aligned to the Department's *2010–15 Investment Plan*. Independent safety reviews of AAFC dams were undertaken and response measures were implemented.
Knowledge and Information Management Significant loss of key knowledge and information impeding reuse and effective decision-making if concrete action is not taken to: capture/document, transfer, share, and protect the expertise and unique knowledge of individuals and groups.	AAFC made significant progress to improve information sharing and collaboration: AAFC users now have a modernized suite of desktop products; a community of practice was established to share knowledge management and transfer approaches; and new strategies, technologies and tools have been defined in the *Knowledge, Information and Collaboration Support Strategy*.
People Work Environment People management strategies and activities not fully implemented and embedded in management practice will affect the Department's ability to recruit, develop and retain the expertise and competencies required to deliver on departmental obligations and pursue its goals for excellence and innovation.	Response strategies progressed satisfactorily. AAFC continued to implement its *2009–2012 Human Resources Plan. The Staffing and Recruitment Strategy*, which includes forecasting and variance analyses, was also updated. To maintain science capacity, AAFC developed the Science and Innovation Leadership Program. AAFC also conducted a learning needs analysis for the Engineering and Scientific Support and General Labour and Trades occupation groups to help foster technical skills and competencies required by the Department.

Risk*	Status of Risk and Mitigation Strategies
Program Risk Managing complex programs in a shared jurisdiction such as agriculture, with a multiplicity of service delivery points and multiple responsibility centres, presents three key challenges: program and management control impacting accountability; third-party program delivery impacting monitoring and assessing program effectiveness; and the need to improve policy design and program development.	AAFC successfully managed program risks through the following response strategies: refinement of service standards; launch of the Performance Measurement Community of Practice; and update of the Recipient Risk Management Framework. Other response activities included: oversight by governance boards for program and service excellence initiatives; periodic review of program-specific risks; implementation of common business processes and technology; and the enhanced engagement of the Centre of Program Excellence to ensure application of consistent and standard terms and conditions.
***Shown alphabetically**	

Summary of Performance

Financial Resources ($ millions - net)

Planned Spending	Total Authorities[1]	Actual Spending[1]
3,099.0	2,720.9	2,557.7

[1] Excludes amount deemed appropriated to Shared Services Canada.

There is an overall decrease between Planned Spending and Total Authorities primarily as a result of a reduction in the requirement for Business Risk Management program funding mainly due to stronger commodity prices. Actual Spending is less than Total Authorities due to the annual demand for multi-year program funding as well as some delays in program implementation. A large part of the unspent voted funding is expected to be carried forward.

Human Resources (Full-Time Equivalents—FTEs)

Planned	Actual[1]	Difference[2]
6,223	6,109	(114)

[1] FTEs reflect only those funded through the Department's appropriated resources and excludes 30 FTEs deemed appropriated to Shared Services Canada. In addition to the actual FTEs of 6,109, there were 14 FTEs employed by AAFC for research funded through collaborative agreements with industry partners and 10 FTEs funded from other government departments. Also, an additional 495 FTEs were employed as students.

[2] Actual FTEs are lower than Planned primarily due to attrition, the transfer of delivery of the AgriStability program from the federal government to British Columbia and Saskatchewan, and a reduction related to a transfer to Shared Services Canada to consolidate and transform IT infrastructure across government. Planned FTEs did not reflect these factors due to timing of the preparation of the 2011-12 Report on Plans and Priorities.

Progress Towards Strategic Outcome

Strategic Outcome 1: An environmentally sustainable agriculture, agri-food and agri-based products sector		
Performance Indicators	**Targets**	**2011–12 Performance**
Soil Quality Agri-Environmental Index*	81 by March 31, 2030	The Soil Quality index rose from 74 in 2001 and to 77 in 2006, well within the *Good* range with an improving trend, indicating management efforts are effective.
Water Quality Agri-Environmental Index*	81 by March 31, 2030	The Water Quality index was within the *Good* range but showed a deteriorating trend, declining from 85 in 2001 to 78 in 2006. This is due to an overall increase in supplemental nutrients as there was an increase in farmland under cultivation.
Air Quality Agri-Environmental Index*	81 by March 31, 2030	The Air Quality index was 63 within the *Good* range and showed an improving trend between the 2001 and 2006 reporting period. This is attributed to increased adoption of conservation and no-till practices, increased forage and permanent cover crops, and reduced use of summerfallow.
Biodiversity Quality Agri-Environmental Index* Note: Biodiversity Quality Agri-Environmental Index based on a single Agri-Environmental Indicator (Wildlife Habitat Capacity Change on Farmland)	81 by March 31, 2030	The Biodiversity index was 49, within the *Average* range on the Agri-Environmental Index, showing a stable trend between the 2001 and 2006 reporting period.
* The indices listed measure agri-environmental progress in each of the four key areas of soil, water, air, and biodiversity. The scale for these indices is: 0–20 = *Unacceptable*; 21–40 = *Poor*; 41–60 = *Average*; 61–80 = *Good*; and 81–100 = *Desired*. A target of 81–100, with a stable or improving trend, represents the desired value for the sector's performance. The indices will be updated in 2012–13 as data becomes available.		

Performance Summary, Excluding Internal Services

Program Activity	2010–11 Actual Spending ($ millions–net)[1]	2011–12 ($ millions–net)				Alignment to Government of Canada Outcome
		Main Estimates[2]	Planned Spending[3]	Total Authorities[4]	Actual Spending[5]	
Environmental Knowledge, Technology, Information and Measurement	89.8	59.8	59.8	84.3	87.4	A Clean and Healthy Environment (http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx#bm01)
On-Farm Action	89.7	156.8	156.8	136.1	107.0	
Total for SO 1	**179.6**	**216.6**	**216.6**	**220.4**	**194.4**	

Progress Towards Strategic Outcome

Strategic Outcome 2: A competitive agriculture, agri-food and agri-products sector that proactively manages risk		
Performance Indicator	**Target**	**2011–12 Performance**
Percentage increase in Gross Domestic Product (GDP) in constant dollars (2002) for the agriculture and agri-food sector (consisting of primary agriculture and food, beverage and tobacco processing, including seafood processing) Baseline in 2009 was set at $42.5 billion based on preliminary GDP estimates by Statistics Canada Note: The baseline for GDP in 2009 has since been revised to $46.3 billion by Statistics Canada, as of August 2012. The target value has been reset to reflect the revised data from Statistics Canada and analysis of the GDP data for agriculture which indicate a recent slowdown	$46.9 billion by March 31, 2013 Target represents a 10% increase from 2009 GDP Note: As a result of additional analysis of the GDP data, a revised target now reflects a 3% increase over the period 2009 to 2012, of $47.7 billion	Canada's GDP in agriculture and food and beverage processing was $46.1 billion in 2011, which was 0.43% lower than the revised 2009 baseline. Agriculture and food and beverage processing GDP has increased by 1.5% per year on average since 1997, which is below the rate of growth of the broader economy. However, while economic growth in the sector remained relatively stable, agriculture GDP has not recovered since the unusual grain and oilseed price peak of 2008. Since then, the global recession and depressed world economy have dampened a recovery. Progress toward the strategic outcome has therefore been impacted.

Performance Summary, Excluding Internal Services

Program Activity	2010–11 Actual Spending ($ millions–net)[1]	2011–12 ($ millions–net)				Alignment to Government of Canada Outcome
		Main Estimates[2]	Planned Spending[3]	Total Authorities[4]	Actual Spending[5]	
Business Risk Management	1,452.5	1,413.4	1,899.2	1,426.9	1,412.0	Strong Economic Growth (http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx#bm01)
Food Safety and Biosecurity Risk Management Systems	95.2	97.9	101.2	120.1	87.6	
Trade and Market Development	93.4	139.1	139.1	109.5	98.0	
Regulatory Efficiency Facilitation	12.1	35.9	35.9	25.8	12.6	
Farm Products Council of Canada	2.8	2.7	2.7	3.9	3.1	
Total for SO 2	**1,656.1**	**1,689.0**	**2,178.1**	**1,686.3**	**1,613.3**	

Progress Towards Strategic Outcome

Strategic Outcome 3: An innovative agriculture, agri-food and agri-based products sector		
Performance Indicators	**Targets**	**2011–12 Performance**
Increase in the development of food and other agriculture-derived products and services as measured by the percentage increase in total Research and Development (R&D) expenditures by business enterprises in food manufacturing	10% increase by March 31, 2014 from the 2009 baseline of $157 million	In making progress towards the four-year target, AAFC is meeting or exceeding its goals for programs and initiatives within the Program Activities that support this Strategic Outcome. Please see the Performance Analysis in Section II of this report for a description of progress at these lower levels.

Strategic Outcome 3: An innovative agriculture, agri-food and agri-based products sector		
Performance Indicators	**Targets**	**2011–12 Performance**
Increase in the development of food and other agriculture-derived products and services as measured by the percentage increase of revenues from bioproducts	10% increase by March 31, 2014 from the 2006 baseline of $1.8 billion	In making progress toward the eight-year target, AAFC is meeting or exceeding its goals for programs and initiatives within the Program Activities that support this Strategic Outcome. Please see the Performance Analysis in Section II of this report for a description of progress at these lower levels.

Performance Summary, Excluding Internal Services

Program Activity	2010–11 Actual Spending ($ millions–net)[1]	2011–12 ($ millions–net)				Alignment to Government of Canada Outcome
		Main Estimates[2]	Planned Spending[3]	Total Authorities[4]	Actual Spending[5]	
Science, Innovation and Adoption	360.3	252.3	285.4	304.0	266.0	An innovative and knowledge-based economy (http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx#bm01)
Agri-Business Development	104.3	87.9	87.9	129.8	116.3	
Rural and Co-operatives Development	21.1	25.0	25.0	25.6	20.3	
Canadian Pari-Mutuel Agency	1.0	-	-	3.9	(0.3)	A fair and secure marketplace (http://www.tbs-sct.gc.ca/ppg-cpr/descript-eng.aspx#bm01)
Total for SO 3	**486.7**	**365.2**	**398.3**	**463.4**	**402.3**	

Performance Summary for Internal Services

Program Activity	2010–11 Actual Spending ($ millions–net)[1]	2011–12 ($ millions–net)			
		Main Estimates[2]	Planned Spending[3]	Total Authorities[4]	Actual Spending[5]
Internal Services	352.5	300.7	306.0	350.7	347.7

For an explanation of the variances for the total Department spending, please refer to the Expenditure Profile subsection of this report.

[1] Actual Spending figures represent the actual expenditures incurred during the 2010–11 fiscal year, as reported in the 2010–11 Public Accounts.

[2] Main Estimates figures are as reported in the 2011–12 Main Estimates.

[3] Planned Spending figures are as reported in the 2011–12 Report on Plans and Priorities. Planned Spending reflects funds already brought into the Department's reference levels as well as amounts to be authorized through the Estimates process as presented in the Annual Reference Level Update. It also includes adjustments totalling $527.5 million for funding approved in the government fiscal plan, but not yet brought into the Department's reference levels at the time of Main Estimates.

[4] Total Authorities reflect 2011–12 Main Estimates plus a net total increase of $149.4 million comprised of Supplementary Estimates and allotment transfers received during the 2011–12 fiscal year, as well as adjustments to statutory amounts to equal actual spending, and internal adjustments and transfers, as reported in the 2011–12 Public Accounts. Total Authorities excludes amount deemed appropriated to Shared Services Canada.

[5] Actual Spending figures represent the actual expenditures incurred during the 2011–12 fiscal year, as reported in the 2011–12 Public Accounts. In certain cases, where authorized amounts are unspent, they can be reprofiled for use in future years. Actual Spending excludes amount deemed appropriated to Shared Services Canada.

The figures in the above table have been rounded. Due to rounding, figures may not add to the totals shown.

Contribution to the Federal Sustainable Development Strategy

The Federal Sustainable Development Strategy (FSDS) outlines the Government of Canada's commitment to improving the transparency of environmental decision making by articulating its key strategic environmental goals and targets. AAFC ensures that consideration of these outcomes is an integral part of its decision-making processes. The Department contributes to the following FSDS themes as denoted by the visual identifiers and associated program activities.

Theme I
Addressing Climate Change and Air Quality

Program Activity 1.1: Environmental Knowledge, Technology, Information and Management

Theme II
Maintaining Water Quality and Availability

Program Activity 1.1: Environmental Knowledge, Technology, Information and Management
Program Activity 1.2: On-Farm Action

Theme III
Protecting Nature

Program Activity 1.1: Environmental Knowledge, Technology, Information and Management

Theme IV
Shrinking the Environmental Footprint - Beginning with Government

Program Activity 4.1: Internal Services

AAFC's contributions to the first three themes of the FSDS are highlighted in Section II in respect of those targets for which the Department is the lead. Also highlighted in Section II are AAFC's contributions to Greening Government Operations (GGO), the goal of the fourth theme. Details on AAFC's contribution to GGO targets are provided in the Supplementary Table on Greening Government Operations, which is listed in Section III.

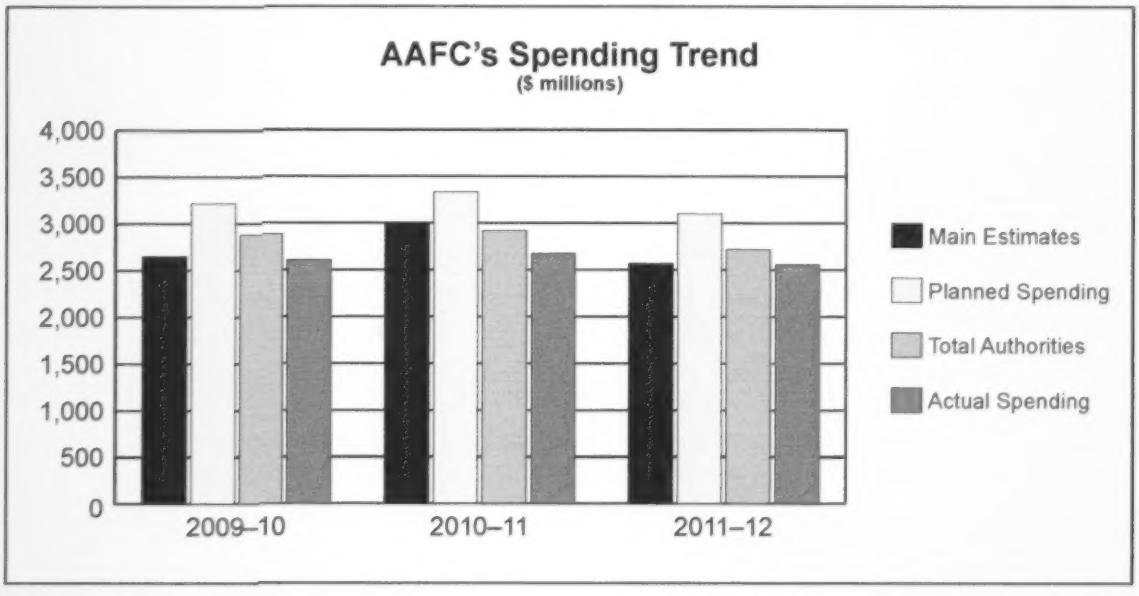
During 2011–12, AAFC considered the environmental effects of initiatives subject to the *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals* (http://www.ceaa.gc.ca/default.asp?lang=En&n=B3186435-1). Through the strategic environmental assessment process, departmental initiatives are linked to the goals and targets they address in Theme I – Addressing Climate Change and Air Quality; Theme II – Maintaining Water Quality and Availability; Theme III – Protecting Nature; and Theme IV – Shrinking the Environmental Footprint – Beginning with Government. Further information on the results of strategic environmental assessments is available online (http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1174587670946&lang=eng).

Details of AAFC's Departmental Sustainable Development Strategy is available on the Department's website (www.agr.gc.ca/sds) and the Supplementary Information Table on Greening Government Operations, which is listed in Section III of this DPR. For complete details on the FSDS, please visit Environment Canada's website (http://www.ec.gc.ca/dd-sd/).

Expenditure Profile

AAFC departmental spending varies from year to year in response to the circumstances in the agriculture, agri-food and agri-based products sector in any given period. Programming within AAFC is in direct response to industry and economic factors that necessitate support to this vital part of the economy. Much of AAFC's programming is statutory (i.e. for programs approved by Parliament through enabling legislation) and the associated payments fluctuate according to the demands and requirements of the sector.

The figure below illustrates AAFC's spending trend in Main Estimates, Planned Spending, Total Authorities and Actual Spending from 2009–10 to 2011–12.



Notes:

[1] Main Estimates figures are as reported in the Main Estimates for each respective year.

[2] Planned Spending figures are as reported in the respective Report on Plans and Priorities. Planned Spending reflects funds already brought into the Department's reference levels as well as funding approved in the government fiscal plan, but yet to be brought into the Department's reference levels, at the time of the respective Report on Plans and Priorities. Planned Spending for 2009–10, 2010–11 and 2011–12 did not reflect Budget 2009, 2010 or 2011 information, respectively. These adjustments were subsequently made and reflected in Total Authorities.

[3] Total Authorities reflect Main Estimates plus adjustments comprised of Supplementary Estimates and allotment transfers, adjustments to statutory amounts to equal actual spending, and internal adjustments and transfers, as reported in Public Accounts.

[4] Actual Spending represents the actual expenditures incurred during each respective fiscal year, as reported in Public Accounts. In certain cases where authorized amounts are unspent, they can be reprofiled for use in future years.

Over the past three fiscal periods from 2009–10 to 2011–12, the Actual, Planned and Authorized Spending ranged from a low of $2.6 billion in 2009–10 to a high of $3.3 billion in 2010–11. Although the actual total spending trend depicted above is generally consistent across the years, the programs and initiatives vary from year to year in response to changes affecting the agriculture, agri-food and agri-based products sector.

The 2009–10 fiscal period included funding provided to the pork industry to support an orderly transition of the sector in view of new market challenges, while 2010–11 reflects support under the Prairie Excess Moisture Initiative, which provided emergency assistance to producers affected by flooding conditions from the spring and summer of 2010. The 2011–12 fiscal period provided disaster assistance to producers affected by excess moisture conditions in the western provinces and Quebec and provided assistance to livestock producers dealing with the impacts of severe forage shortages as a result of drought.

The requirement for Business Risk Management program funding over the recent years has been lower than in the past as a result of strong commodity prices.

Actual Spending in 2011–12 is lower than authorities as a result of lower demand for program funding, as well as some delays in program implementation. However, a large part of the unspent voted funding is expected to be carried forward to 2012–13.

Estimates by Vote

For information on AAFC's organizational Votes and/or statutory expenditures, please see the Public Accounts of Canada 2012 (Volume II). An electronic version of the Public Accounts 2012 is available on the Public Works and Government Services Canada's website (http://www.tpsgc-pwgsc.gc.ca/recgen/txt/72-eng.html).

Section II: Analysis of Program Activities by Strategic Outcome

Strategic Outcome 1: An environmentally sustainable agriculture, agri-food and agri-based products sector

AAFC supports an economically and environmentally sustainable agriculture, agri-food and agri-based products sector that ensures proper management of available natural resources and adaptability to changing environmental conditions. Addressing key environmental challenges in Canada, including agriculture's impact on water quality and water use, adaptation to the impact of climate change, mitigation of agriculture's greenhouse gas emissions and the exploration of new economic opportunities, will contribute to a cleaner environment and healthier living conditions for the Canadian public, while enabling the sector to become more profitable.

Program Activity 1.1: Environmental Knowledge, Technology, Information and Measurement

Program Activity Description

AAFC is focussed on supporting the sector through initiatives that enable it to use a more systematic management approach to making decisions with respect to environmental risks, and help identify suitable corrective actions. AAFC is conducting basic and applied research to improve scientific understanding of agriculture's interactions with the environment on the key environmental challenges facing Canada and its regions; developing sustainable agricultural practices and validating environmental and economic performance at the farm and landscape levels; and developing, enhancing and using agri-environmental indicators, greenhouse gas accounting systems and economic indicators to assess the sector's environmental and economic sustainability. This program provides the platform for innovation and discovery of technologies and strategies to improve the agri-environmental performance of the sector.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
59.8	84.3	87.4

Difference in financial resources is largely due to a realignment among Program Activities.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
672	662	(10)

The decrease in FTEs is primarily a result of realignment of resources among Program Activities.

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Agriculture and agri-food sector makes decisions that incorporate sound environmental practices	Percentage of farms in Canada which have a formal Environmental Farm Plan (EFP) Note: the 2006 Farm Environmental Management Survey (FEMS) results indicate that 27% of all farms had an EFP. Next FEMS survey is planned for 2012	34% by March 31, 2013	While the target is established for 2013, progress to date indicates it will be achieved

Programming in this area contributes to the Federal Sustainable Development Strategy (FSDS).

FSDS Goal	FSDS Performance Indicator	FSDS Target	FSDS Actual Result
Goal 3: Water Quality Protect and enhance the quality of water so that it is clean, safe and secure for all Canadians and supports healthy ecosystems	Water quality and soil quality agri-environmental performance indices (aggregates of 4 water quality and 6 soil quality indicators respectively)	Achieve a value between 81 to 100 on the Water Quality and Soil Quality Agri-Environmental Performance Indices by March 31, 2030	In 2006, the Water Quality Agri-Environmental Performance Index was rated as good (78); however, it has declined (by 7 points) from the desired level; the Soil Quality Agri-Environmental Performance Index was 77 (in 2006), an improvement from 2001 (by 3 points)

Performance Summary and Analysis of Program Activity

While the program activity target is established for 2013, progress to date indicates that it will be achieved.

AAFC provided the sector with basic science, applied research, technology transfer, and science-based information and knowledge for a more systematic management approach to address environmental risks and opportunities and identify suitable actions. On-farm environmental risk plans continued to be the fundamental means by which the sector incorporated environmental considerations into decision-making. The baseline value of 27% was established in 2011 using 2006 Farm Environmental Management Survey (FEMS) data. Informal surveys of provincial partners indicate that the 2013 target will be achieved. This will be confirmed when the next FEMS is completed in 2012.

In regard to AAFC's measurement and reporting on the sector's environmental performance, work continued to develop science-based, quantifiable, agri-environmental indicators through the National Agri-Environmental Health Analysis and Reporting Program (www.agr.gc.ca/naharp). The Department focused on refining, updating and validating the indicators before the next set of results are generated from the 2011 Agriculture Census data and in support of the next agricultural policy framework.

The Department fostered greater scientific collaboration among partners to help the sector reduce environmental risks and enhance the health of the soil, water, air, and biodiversity, improving environmental stewardship and bolstering productivity. These collaborative efforts led to improved scientific verification of environmental stewardship practices and increased the knowledge and adoption of innovative sustainable practices among producers and land managers.

Initiatives within this Program Activity also contributed to FSDS target 3.6: Fresh Water Quality (agriculture, agri-food and agri-based products sector), on which AAFC leads. This target supports the FSDS goal of Water Quality - *protect and enhance the quality of water so that it is clean, safe and secure for all Canadians and supports healthy ecosystems*. AAFC initiatives to support the target include: targeting research and expanding networks of scientists to increase knowledge of water resources relative to agriculture; assessing and reporting on the environmental and economic impact of the adoption of sustainable agriculture practices by farmers; and increasing the understanding of the effectiveness of beneficial management practices (BMPs) in an agricultural watershed setting and of the relationships between BMPs and agricultural land use activities. For details on these initiatives, please see AAFC's *Departmental Sustainable Development Strategy* (www.agr.gc.ca/sds).

Lessons Learned

In support of environmental research, knowledge and technology transfer to better understand how agriculture affects Canada's air, water and soil, AAFC further consolidated priorities, outcomes and working relationships to maximize results from its science-based efforts. The Department's agri-environmental science investments are more collaborative, strategic and better aligned with industry and government environmental priorities. These actions, combined with lessons learned from *Growing Forward*, are helping the Department design the next agricultural policy framework, which will again focus on enhancing the sector's ability to address environmental priorities.

Program Activity 1.2: On-Farm Action

Program Activity Description

AAFC supports farmers through direct on-farm programming that identifies environmental risks and opportunities and promotes the continuous growth of the stewardship ethic within the agriculture and agri-food industry. AAFC supports farmers through agri-environmental risk assessment and planning; providing expertise, information and incentives to increase the adoption of sustainable agriculture practices at the farm and landscape levels; investigating and

developing new approaches that encourage and support the adoption of sustainable agriculture practices; and increasing the recognition of the value of sustainable agriculture practices. This program supports environmental stewardship and helps reduce the sector's overall impact on the environment. It contributes to a cleaner environment and healthier living conditions for Canadians, and a more profitable agriculture sector.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
156.8	136.1	107.0

Difference in financial resources is largely due to a realignment among Program Activities. Actual Spending was less than authorized due to additional time required to review the design of *Growing Forward* programming elements to respond to evolving regional needs and the complexity of proposals and timing of implementation for multi-year projects under the AgriFlexibility program. A large part of this unspent funding is expected to be carried forward to 2012–13.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
407	406	(1)

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Improved agri-environmental risk assessment and risk mitigation by agricultural producers	Percentage of farms in Canada taking action on their Environmental Farm Plan (EFP)	92% by March 31, 2013 (The 2006 Farm Environmental Management Survey results indicate that 90% of all farms had implemented at least 1 BMP. Next survey is planned for 2012)	While the target is established for 2013, progress to date indicates it will be achieved.

Programming in this area contributes to the Federal Sustainable Development Strategy (FSDS).

FSDS Goal	FSDS Performance Indicator	FSDS Target	FSDS Actual Result
Goal 3: Water Quality Protect and enhance the quality of water so that it is clean, safe and secure for all Canadians and supports healthy ecosystems	Water quality and soil quality agri-environmental performance indices (aggregates of 4 water quality and 6 soil quality indicators respectively)	Achieve a value between 81 to 100 on the Water Quality and Soil Quality Agri-Environmental Performance Indices by March 31, 2030	In 2006 the Water Quality Agri-Environmental Performance Index was rated as good (78); however, it has declined (by 7 points) from the desired level. The Soil Quality Agri-Environmental Performance Index was 77 (in 2006), an improvement from 2001 (by 3 points).

Performance Summary and Analysis of Program Activity

AAFC continued to provide science-based knowledge, information, tools, and expertise to support effective land management practices, agri-environment risk assessment and planning. In addition, the Department provided funding to help implement on-farm, beneficial management practices (BMPs). Further, AAFC on-farm programs, including Agri-Environmental Risk Assessment Implementation and Technical Assistance, helped producers identify environmental risks and opportunities, as well as adopt on-farm BMPs. The baseline value of 90% was established in 2011 using 2006 Farm Environmental Management Survey (FEMS) data. Informal surveys of provincial partners indicate that the 2013 target will be achieved. This will be confirmed when the next FEMS is completed in 2012.

AAFC programs also continued to focus on improving the sector's ability to make informed decisions on existing and emerging priorities. For example, the $27-million Agricultural Greenhouse Gases Program (http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1331047113009&lang=eng) helped sector partners to develop more climate-resilient agriculture production systems without increasing greenhouse gases.

The Department supported research, development and knowledge transfer in pursuit of on-farm innovation that, in turn, provided enhanced agri-environmental and economic benefits to producers. Further, to help the sector address challenges and capture opportunities through innovation, AAFC continued to collaborate with its partners, recognizing that innovation can best be achieved in partnership with multiple stakeholders from industry, academia, other levels of government, and non-government organizations.

Initiatives within this Program Activity also contributed to FSDS target 3.6: Fresh Water Quality (agriculture, agri-food and agri-based products sector), on which AAFC leads. This target supports the FSDS goal of Water Quality - *protect and enhance the quality of water so that it is clean, safe and secure for all Canadians and supports healthy ecosystems*. AAFC initiatives to support the target include: providing a systematic approach to farmers to assess priority environmental risks, develop risk mitigation plans and implement on-farm actions; and increasing the adoption of sustainable agriculture practices at farm and landscape levels. For details on these initiatives, please see AAFC's *Departmental Sustainable Development Strategy* (www.agr.gc.ca/sds).

Lessons Learned

The National Agri-Environmental Health Analysis and Reporting Program (www.agr.gc.ca/naharp) provides trend analyses of AAFC's environmental indicators, which are particularly useful to demonstrate environmental performance over time. Due to the complexity of ecological systems, there are often significant lag times between introducing improved management efforts on the ground and finding measurable results in the environment.

For example, the national soil quality performance index is in the *Good* range with an improving trend, indicating that on-farm management efforts are having a positive effect and moving conditions in the right direction. However, the water quality index shows a deteriorating trend from 85 in 2001 to 78 in 2006. This is due to an overall increase in supplemental nutrients as there was an increase in farmland under cultivation. The trend suggests more work needs to be done to ensure effective land-use management and to increase BMPs to improve environmental conditions.

Growing Forward agri-environmental programs were put in place to improve soil and water quality. After the indicators are calculated with the 2011 Census data, AAFC will use trend analyses to determine whether programming under *Growing Forward* has been effective in improving environmental performance. The results will inform policy and program decisions, and direct resources to develop and evaluate on-farm management efforts.

Strategic Outcome 2: A competitive agriculture, agri-food and agri-based products sector that proactively manages risk

Canada's capacity to produce, process and distribute safe, healthy, high-quality and viable agriculture, agri-food and agri-based products is dependent on its ability to proactively manage and minimize risks and to expand domestic and global markets for the sector by meeting and exceeding consumer demands and expectations. Proactive risk management to ensure food safety, market development and responsiveness, and improved regulatory processes contribute directly to the economic stability and prosperity of Canadian farmers and provides greater security for the Canadian public regarding the sector.

Program Activity 2.1: Business Risk Management

Program Activity Description

AAFC has a comprehensive Business Risk Management program to better equip producers with the tools and capacity to manage business risks. This program provides coverage for small income declines, margin-based support for larger income losses, a disaster relief framework for rapid assistance to producers, and production insurance to protect farmers against production losses due to uncontrollable natural hazards. In addition, producers can receive assistance through the provision of financial guarantees which facilitates the marketing of producers' products when market conditions and prices may be more favourable.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
1,899.2	1,426.9	1,412.0

Difference in financial resources is primarily due to the reduced requirement for Business Risk Management program funding in relation to strong commodity prices.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
482	409	(73)

The decrease in FTEs is primarily a result of the transfer of delivery of the AgriStability program from the federal government to British Columbia and Saskatchewan.

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Producers' income losses are reduced	Current year producers' net market income (NMI) plus BRM payments compared to the previous five-year average NMI plus BRM payments for the sector. Target is 85% of the previous five-year average plus BRM payments	85% by March 31, 2012	139%*

* Net market income in 2009 was $6.29 billion, the highest since 2002. Combined with BRM payments, the actual results were 139% of the historical average with federal and provincial BRM program payments contributing $1.88 billion.

Performance Summary and Analysis of Program Activity

Net market income plus BRM payments for 2009 was 139% of the historical average with federal and provincial BRM program payments contributing $1.88 billion.

BRM programs under *Growing Forward* are comprised of AgriInvest, AgriStability, AgriInsurance, and the AgriRecovery framework. They were designed to help producers address income declines, production losses due to natural hazards, and facilitate a return to production following disaster events. BRM programs are FPT cost-shared at a ratio of 60:40.

The increase in grain and oilseed prices in recent years is reflected in the performance indicators for BRM programing. For the 2009 program year, the latest year for which all data has been collected, federal-provincial BRM program payments totalling $1.88 billion contributed to bringing net income (net market income plus BRM program payments) above the five-year historical average level at 139%, far exceeding the 85% target. Despite a 15% increase in income derived from the market, from $5.47 billion in 2008 to $6.29 billion in 2009, program payments also increased by $391 million (26%) from the previous year. Much of this increase is attributed to increased AgriInsurance indemnities and AgriStability payments reflecting producers facing production and market-related declines.

Under AgriStability (www.agr.gc.ca/agristability), payments are currently made when an individual producer experiences more than a 15% margin decline. For those producers receiving program payments, the addition of program payments brought producers' margins from 39.6% of their historical average up to 71.2% (Target: 65%). Participation rates in 2009, both in terms of number of producers and market revenues covered by the program, were comparable to 2008 at 52.9% and 70.7% respectively but below the targets (55% and 75% respectively). Generally positive returns in the industry are believed to be contributing to producers' decisions not to participate in the program.

Under AgriInvest (www.agr.gc.ca/agriinvest), producer deposits to a savings account are matched by federal and provincial and territorial governments to help manage smaller income declines or make investments to mitigate risks in the farm operation and improve profitability. Participation reached 77.4% of all producers in 2009, a small increase from 2008 (Target: 60%). About 38% of participants who suffered an income decline and triggered AgriStability payments in 2009 also made withdrawals from their AgriInvest accounts (Target: 60%). This reflects improved industry conditions, particularly for the grain and oilseeds sector.

AgriInsurance (www.agr.gc.ca/agriinsurance) provides insurance protection to producers against the impacts of declines in production. In 2010–11, about 87% of the value of all crops grown in Canada was insurable (Target: 85%). The value of crops grown in Canada that was actually insured represented about 62% of the total value of all agricultural products eligible for insurance (Target: 60%). Officials continued to work on key areas for program improvements including livestock and forage insurance as well as protection for unseeded acres due to excess moisture.

AgriRecovery (www.agr.gc.ca/agrirecovery) helps governments respond to regional disasters with programming that assists producers with the extraordinary costs associated with recovery activities. Since the implementation, federal and provincial governments have committed $1.2 billion under 37 initiatives across the country. In 2011–12 alone, governments put in place nine initiatives totalling payments of $358 million to over 38,000 producers across Canada. The federal portion of these payments amounted to approximately $215 million. Almost all producers who received AgriRecovery assistance indicated that it has helped in the recovery of operations, surpassing the target of 75%. Following up on an evaluation in 2011, governments worked towards greater clarity on applying the AgriRecovery framework.

The FPT BRM suite of programs is complemented by two federal-only loan guarantee programs: the *Canadian Agricultural Loans Act* (CALA) and the Advance Payments Program (APP). The CALA program (www.agr.gc.ca/cala) is a federal guaranteed loan program administered by financial institutions on behalf of the government where the lender is guaranteed repayment of up to 95 percent of any net loss associated with a registered CALA loan. Loans under CALA are used by farmers to establish, improve and develop farms, while agricultural co-operatives also access loans to process, distribute or market products. In 2011–12, under the program, 2,311 loans worth $131.6 million were issued, including 119 loans worth $9.6 million to beginning farmers. The target of $217 million was not reached due mainly to continued low interest rates which make the program less desirable to financial institutions.

The APP (www.agr.gc.ca/app), a federal guaranteed loan program governed by the *Agricultural Marketing Programs Act* (AMPA), provides cash advances to farmers based on the value of their agricultural products during a specified period, up to $400,000, of which the first $100,000 is interest-free. As producers sell their agricultural products, they repay the advance with the interest-free portion repaid first. By improving cash flow throughout the year, the APP helps crop and livestock producers meet financial obligations and benefit from the best market conditions. For 2011–12, 69 agreements were signed to deliver the APP with producer organizations. About $1.89 billion was issued in advances to approximately 24,309 producers. AMPA was reviewed and evaluated in 2011; the results will be reported to Parliament in 2012.

The Department also supported the consolidation of the hog sector. The Hog Farm Transition Program helped hog producers transition to new market realities by providing $71.9 million to the 446 producers who agreed to empty barns and cease production for three years.

Lessons Learned

The Office of the Auditor General reported that, while progress had been made on administrative issues, concerns continued with AgriStability's timeliness, predictability and complexity. This is consistent with the 2010 producer survey findings. These same concerns continued to be raised during consultations for the next agricultural policy framework.

External and internal assessments of BRM operations and performance have provided insights into the strengths and weaknesses of the current suite of programs, as have ongoing industry consultations conducted by all FPT governments. One overarching theme has been that BRM programs continue to provide substantial assistance to the industry, despite generally improved economic conditions for much of the farm sector. There is broad support for continuing and possibly expanding insurance tools to help address the issues of timeliness and predictability.

In 2011–12, AAFC evaluated the Agricultural Disaster Relief Program (ADRP) (http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1324334328359&lang=eng), including the AgriRecovery framework. The evaluation found that ADRP had provided significant disaster relief across Canada, and had made an important contribution to helping producers manage agricultural risks. The evaluation identified some areas for improvement, including adjustments to disaster assistance triggers, and strengthening stakeholder understanding of the program. Currently, AAFC is reviewing AgriRecovery with its provincial and territorial partners as part of the next agricultural policy and program suite.

Program Activity 2.2: Food Safety and Biosecurity Risk Management Systems

Program Activity Description

AAFC supports producers and organizations in the development and implementation of food safety, biosecurity and traceability risk management systems to prevent and control risks to the animal and plant resource base thus strengthening the sector against widespread diseases and losses in domestic and foreign markets. The risk management systems are national, government-recognized on-farm and/or post-farm Hazard Analysis of Critical Control Points (HACCP) or HACCP-based food safety systems, National Biosecurity Systems, and a National Agriculture and Food Traceability System. These systems also support emergency management to limit the spread of animal and plant diseases, thereby reducing economic, environmental and social impacts of a crisis. A National Animal and Plant Biosecurity Strategy provides overall policy direction ensuring efforts are targeted at the highest possible biosecurity risks. Eligible recipients include national or regional non-profit organizations, producers and industry stakeholders.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
101.2	120.1	87.6

Actual Spending was less than authorized largely due to additional time required to review the design of *Growing Forward* programming elements to respond to evolving regional needs, the complexity of proposals and timing of implementation for multi-year projects under the AgriFlexibility program as well as delays under the Control of Diseases in the Hog Industry Initiative. A large part of this unspent funding is expected to be carried forward to 2012–13.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
340	310	(30)

The decrease in FTEs is primarily a result of a realignment of resources among Program Activities.

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Increased safety of the food systems	Percentage of producers participating in HACCP- based programs reporting adoption of food safety practices	45% by March 31, 2013 (The 2005 survey showed a level of participation of 28% for HACCP-based programs and in the 2008 survey it was 39%)	Farm Financial Survey conducted by Statistics Canada in July 2012 with results expected to be received by AAFC in early 2013

Performance Summary and Analysis of Program Activity

Many Canadian farmers now are adopting HACCP-based food safety systems in a wide range of commodities, including livestock, poultry and horticulture. During the reporting period, AAFC had agreements with nine producer organizations, five agri-business organizations, and one multi-party association to develop or enhance food safety systems, as well as agreements with 13 producer organizations to develop traceability systems.

AAFC, in collaboration with CFIA, provincial and territorial governments, along with industry, is phasing-in a comprehensive, mandatory, national traceability system for livestock and poultry. Identification of animals and premises will be the foundation of the traceability system to enable the movement of animals to be accurately recorded. Individual sector implementation plans for all livestock and poultry sectors will include the timetable, and technical and legal processes required for these systems to operate.

Initial consultations on a multi-species regulatory package are complete. Hog traceability regulations have been drafted. The national traceability information sharing portal is under construction. The action plan from the National Cattle Traceability Summit is being implemented.

The Livestock Auction Traceability Initiative (LATI) (www.agr.gc.ca/LATI) provides contributions to assist in the alteration of animal handling structures to enhance traceability at high-risk, high-throughput sites where animals from different herds co-mingle. During the reporting period, 108 entities, located in eight provinces and operating feedlots, auction marts, or community pastures, had projects approved under this initiative. Forty-seven projects have been completed.

Lesson Learned

With the wide range of eligible clients under LATI, many different types of technology and infrastructure updates are needed to enhance traceability capabilities. Therefore, to provide better service to LATI clients, program officers visited a variety of co-mingling sites to increase their technical knowledge.

Program Activity 2.3: Trade and Market Development

Program Activity Description

AAFC acts as Canada's agricultural trade advocate, working to break down trade barriers at home and abroad and expand opportunities for the agriculture, agri-food and agri-based products sector. AAFC assists the sector in identifying new domestic and global opportunities, markets and ways to enhance productivity, competitiveness and prosperity. AAFC also works to distinguish Canadian products under Brand Canada International and the Domestic Branding Strategy to expand and deepen the sector's strengths in the marketplace.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
139.1	109.5	98.0

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
425	417	(8)

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Increased agricultural sector market development and access	Growth in total exports of agriculture and food to $40 billion	$40 billion by March 31, 2013	$44.4 billion in 2011

Performance Summary and Analysis of Program Activity

Canada exported $44.4 billion worth of agriculture, agri-food and seafood products in 2011. An increase in grain prices have contributed to exceeding the $40 billion target set in 2008.

Activities to brand Canada's food products focussed particularly on Japan, Mexico and Germany, where Canadian exporters are most active, but activities were also undertaken in Southeast Asia and other parts of Europe. Under the Canada Brand initiative (www.brandcanada.agr.gc.ca), AAFC managed Canada Pavilions at key international trade events in Germany, Japan and Belgium, and helped enhance the presence of Canadian companies at other trade shows around the world. A domestic Canada Brand initiative helped consumers more easily identify Canadian food products at Canadian grocery stores. Promotions were undertaken in 65 retail stores across the country.

The Agriculture and Food Trade Commissioner Service assisted Canadian companies with technical and marketing support to help increase sales of Canadian agri-food and seafood products.

Under the AgriMarketing Program (www.agr.gc.ca/agrimarketing), 47 contribution agreements worth almost $22 million with industry associations, alliances and technical marketing institutions were completed in 2011–12. These agreements enhanced these organizations' market development efforts, and the efforts of their related small- and medium-sized enterprises by cost sharing a wide range of market development and branding initiatives. These initiatives assisted Canadian exporters to maintain their presence in key markets while also identifying and seizing new opportunities.

Value Chain Roundtable (VCRT) initiatives (http://www.ats-sea.agr.gc.ca/rt-tr/index-eng.htm) continued to help address key industry challenges and establish priorities and strategies to improve Canadian competitiveness and profitability. For example, the Seafood Value Chain Roundtable continued work on a traceability system, and the Beef Value Chain Roundtable continued to develop a national beef research strategy, as well as identify market opportunities. In addition, three new roundtables for grains, seeds and sheep all held inaugural meetings in 2011, bringing the total number of VCRTs to 11.

Significant progress was achieved in the agriculture components of free trade negotiations with the European Union with a view to conclude in 2012. The Department led the agriculture-related aspects of trade agreement negotiations with Honduras, Morocco and India, as well supporting the Canada's efforts to resume negotiations with South Korea. The Department contributed to the Canada-Japan joint study on the feasibility of a free trade agreement, as well as to exploratory talks with Mercosur, South America's leading trade bloc. The Department was also active in supporting Canada's efforts to join the Trans-Pacific Partnership.

By engaging Canada's trading partners from the developed and developing world through international events like the G20 Agriculture Ministers meeting and the 36th Cairns Group Ministerial Meeting, hosted by Minister Ritz in Saskatoon, Canada has been successful in ensuring key government priorities, such as innovation and the adoption of science-based trade rules remain central to the business agendas of these organizations.

The Market Access Secretariat (MAS) (www.agr.gc.ca/mas), working with portfolio partners, aggressively pursued market access in key markets through strategic incoming and outgoing missions. Significant progress has been made with reopened, maintained or expanded markets for beef, beef products, live cattle and bovine genetics in the United Arab Emirates, Cambodia, Thailand, Ecuador, Bolivia, Vietnam, Indonesia, China, Peru, Argentina, and the United States. Access for beef under 30 months was restored in South Korea, while the Gulf Cooperation Council also lifted its ban on live cattle imports from Canada and the United Arab Emirates granted Canada access under this agreement in December 2011. In addition, there have been improved access conditions for numerous other products in various markets.

Ministerial missions advanced access in priority countries including China, where progress was made on canola, beef, tallow, and cherry exports as part of the Prime Minister's mission. Ministerial missions also supported market advocacy and access objectives in other priority countries including Japan, South Korea and Russia.

Lessons Learned

While export values are under considerable upward pressure due to record-high global commodity price levels, the value of the Canadian dollar has also been at record highs, putting significant downward pressure on demand for Canadian exports. In this context, ongoing increases in export volumes across a range of products may be a better indicator of improved performance by the sector, particularly in a context of increasing supply capacity globally.

AAFC has been successful in advancing Canadian objectives by highlighting to other countries how open and well-functioning markets, supported by international science-based standards, can contribute to broader policy priorities like food security, productivity and the environment. However, as the process to establish broad consensus on a way forward remains a long-term proposition, Canada must continue efforts to build blocs of support among countries to advance issues through international institutions and groupings by helping build the technical capacity of developing countries to adopt and apply science-based standards.

Program Activity 2.4: Regulatory Efficiency Facilitation

Program Activity Description

AAFC is undertaking initiatives to ensure that the regulatory environment promotes sector innovation, investment and competitiveness. The Department recognizes that with the rapid pace of technological advancement and emerging gaps between international and domestic regulatory policies, Canada's regulatory environment will need to increase capacities and accelerate modernization to be responsive. The initiatives will involve working with stakeholders along the value chain to enhance their ability to fulfill regulatory requirements, and collaborating with federal partners and industry to find ways of streamlining the regulatory burden through targeted actions on sector priorities, while at the same time maintaining Canada's strong regulatory system with respect to health and safety. Improving the timeliness and transparency of science-based regulatory decision-making will also contribute to improved public and stakeholder confidence.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
35.9	25.8	12.6

Difference in financial resources is largely due to a realignment among Program Activities. In addition, Total Authorities have been reduced from Planned Spending as a result of transfers to other government departments for horizontal *Growing Forward* programs.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
57	62	5

Program Activity Performance Summary

Expected Result	Performance Indicators	Targets	Actual Results
Increased minor-use pesticides, reduced-risk pest management tools, health claims, and novel foods and ingredients that are permissible or available for use	Number of regulatory policies that are changed to facilitate innovation in pest management, health claims, and novel foods and ingredients	5 by March 31, 2013	3 regulatory policies to facilitate health claims, novel foods and ingredients
	Number of submissions for minor-use pesticides, health claims, novel foods and ingredients that meet regulatory requirements	45 annually by March 31, 2012	62 minor-use pesticides and 2 health claims met regulatory requirements
	Number of reduced-risk pest management tools available for use	4 annually by March 31, 2012	14 reduced-risk pest management tools

Performance Summary and Analysis of Program Activity

Commitments in the area of minor-use pesticides and pesticide risk reduction included: establishing a yearly national list of grower-selected pest management priority projects; generating data and preparing regulatory submissions for new uses of pesticides including biopesticides; and developing and implementing pesticide risk reduction strategies.

Performance for 2011–12 exceeded the targets with 62 minor-use pesticide submissions meeting regulatory requirements and 14 new reduced-risk tools in place (including 11 biopesticide uses registered, two decision-support tools, and an improved spray method for targeting onion thrips). These results will lead to increased access to new minor uses of pesticides, tools, technologies, and practices, reducing the risk to human health and the environment, as well as decreasing trade barriers and improving Canada's competitive position in international markets.

The goal regarding health claims, novel foods and ingredients is to accelerate innovation and availability of new food products with added health benefits. This is accomplished by improving industry's understanding of the regulatory system and by collaborating with domestic and international research networks to scientifically support health benefits and new claims for innovative food products. As a result, two health claim submissions relating to heart health (psyllium and unsaturated vegetable oils) met the regulatory requirements in the past year. Other key achievements included addressing information gaps through collaborative research to validate health claims for Canadian grain, pulse and oilseed crops, and bioactive ingredients; and identifying emerging food products and processing technologies that will lead to new, innovative foods with health benefits over the next 10 years.

Lessons Learned

There continue to be challenges related to program implementation, which in turn affect performance. Interdepartmental collaboration remains a priority to ensure the regulatory system responds to the changing needs of the agri-food sector. Continued communication on data generation and regulatory submissions with stakeholders (including small- and medium-sized enterprises) and relationship-building among the scientific and nutrition communities are critical to the program's relevance and success.

Program Activity 2.5: Farm Products Council of Canada

Program Activity Description

Established through the *Farm Products Agencies Act*, the Farm Products Council of Canada (FPCC) is a unique public interest oversight body that reports to Parliament through the Minister of Agriculture and Agri-Food. The Act provides for the creation of national marketing agencies and promotion research agencies. The FPCC supervises these agencies by ensuring that the

supply management system for poultry and eggs and the check-off system for beef cattle work in the balanced interest of all stakeholders, from producers to consumers. The FPCC is also an active proponent of portfolio management by providing advice to the Minister and maintaining relationships with provincial governments.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
2.7	3.9	3.1

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
24	24	0

Program Activity Performance Summary

Expected Results	Performance Indicators	Targets	Actual Results
Canadian producers maintain their relative share of the Canadian market for hatching eggs, chicken, turkey and eggs	The relative market share of Canadian producers of the Canadian market for hatching eggs, chicken, turkey and eggs remains above 80% throughout the year	Above 80% during 2011–12	Chicken: 85.4% Eggs: 94.0% Hatching Eggs: 82.4% Turkey 94.9%
Variations in consumer prices for chicken, eggs and turkey are consistent with those of other agricultural products	Consumer Price Index (CPI) variations for chicken, turkey and eggs are within 10 percentage points of those of the CPI for other agricultural products throughout the year	Within the plus or minus 10 percentage points of the variation of the CPI for other agricultural products during 2011–12	Chicken: 4.2% Eggs: 9.8% Turkey: 1.8% All Foods: 4.6%

Performance Summary and Analysis of Program Activity

The FPCC (http://fpcc-cpac.gc.ca/) continued to oversee the activities of the national marketing agencies responsible for chicken, eggs, hatching eggs, and turkey, as well as the promotion research agency for beef cattle.

From January to December 2011, producers in the supply-managed sectors maintained their relative domestic market shares. The market share for Canadian chicken and hatching eggs decreased slightly from 85.7% to 85.4% (unlike previous reporting years, 2011 data excludes

stewing hens and spent fowl) and from 82.8% to 82.4% respectively. The domestic market for turkey remained stable at 94.9% and increased slightly for eggs, from 93.3% to 94.0%. Overall variations were minimal and Canadian poultry and egg producers' domestic market shares remained above the 80% threshold.

During the reporting period, the Consumer Price Index (CPI) for All Foods increased by 4.6%. The CPI increased for all three poultry sectors: 4.2% for chicken, 9.8% for eggs and 1.8% for turkey. While consumer prices for eggs rose twice as fast as the consumer prices for food in general, the CPI for chicken closely followed that of food in general, and the CPI for turkey rose more slowly, making this commodity a more affordable option for Canadian consumers. When comparing foods in general, turkey prices have risen the least since 2002.

Throughout 2011–12, the FPCC concluded the *2009–12 Strategic Plan* and developed the next triennial plan for 2012–15. The national agencies and stakeholders were consulted in the development of the *2012–15 Strategic Plan* with a view to strengthening relationships and fostering opportunities to exchange information and improve collaboration. As such, the FPCC continued to be a leader and devoted substantial efforts to increase strong and positive communications. The FPCC focused also on improving its governance and decision-making process.

Lessons Learned

Communications must remain the focus of all FPCC initiatives, whether they include internal or external stakeholders. This will foster a better understanding of the roles and responsibilities of the partners within the supply management and the promotion research systems and ensure that they continue to work in the balanced interest of all stakeholders, from producers to consumers, and evolve to adapt to new market realities. Cooperation between the FPCC and the provincial supervisory boards is required to adequately oversee the supply management system as well as to motivate other agricultural industries to establish promotion research agencies.

Strategic Outcome 3: An innovative agriculture, agri-food and agri-based products sector

Sector innovation includes the development and commercialization of value-added agricultural-based products, knowledge-based production systems, processes and technologies, and equipping the sector with improved business and management skills and strategies to capture opportunities and to manage change. Such innovation is vital for ongoing growth and improvement in the productivity, profitability, competitiveness, and sustainability of Canada's agriculture, agri-food and agri-based products sector and its rural communities.

Program Activity 3.1: Science, Innovation and Adoption

Program Activity Description

AAFC contributes to the competitiveness of the agriculture, agri-food and agri-based products sector by supporting innovation designed to improve profitability in new and existing products, services, processes and markets. Coordinated and informed decision-making is supported with strategic foresight, research, and information sharing contributing to integrated planning engaging industry, government and academia. Collaborative action is promoted to accelerate the flow of science and technology along the innovation continuum in support of industry defined strategies for future success. Farmers, agri-entrepreneurs and agri-based small- and medium-sized enterprises are supported in their efforts to adopt new technologies and commercialize new products and services. Pathfinding and transformational research help to define future opportunities and prepare the sector for emerging opportunities and challenges.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
285.4	304.0	266.0

Difference in financial resources is largely due to a realignment among Program Activities. Actual Spending is less than authorized partly due to some projects under the ecoAgriculture Biofuels Capital Initiative not proceeding and a late launch of the Agricultural Innovation program. A portion of this unspent funding is expected to be carried forward to 2012-13.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
1,473	1,545	72

The increase in FTEs is primarily a result of a realignment of resources among Program Activities.

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Agriculture and agri-food sector that utilizes science to improve or transform commodities into new value-added products	Increase in Agriculture Net value-added ("value-added" is a Statistics Canada measure of Canadian value-added gross domestic product) Baseline is Agriculture Net value added in 2008 which was $15.5 billion* Note: The Baseline value specified above was stated in the RPP 2011–2012. Based on updated information from Statistics Canada the baseline value is being reset to: $9.7 billion for 2007 *Amounts have been corrected to reflect value-added in billions	$16.6 billion* by March 31, 2014 Target represents a 7% increase Note: The Target value specified above was stated in the RPP 2011–2012. This figure has been updated to $10.4 billion by March 31, 2014, to reflect additional analysis based on the previous 29 calendar year straight-line trend of Canadian Agriculture Net Value Added provided by Statistics Canada *Amounts have been corrected to reflect value-added in billions	Canada`s Agriculture Value Added Account increased by 1.75% to $11.0 billion in 2010 from $10.9 billion in 2009. Progress toward the target is satisfactory and in line with the 29 year trend Data source: Statistics Canada - CANSIM Table 002-0004 (May, 25, 2011)

Performance Summary and Analysis of Program Activity

Target indicator growth is based on the level of Canadian Agriculture Value Added Account in 2008, which totalled $15.9 billion. However, the grains sector did especially well in 2008, driving value added significantly higher compared to previous years. Prior to 2008, the level of value added in agriculture was under $9.8 billion.

AAFC helped support the growth of an innovative agricultural sector as measured by Canada`s Value Added Account, which increased from $11.1 billion in 2009 to $11.3 billion in 2010. The development of food and other agriculture-derived products and services also increased as demonstrated by Total Business Enterprise Spending on R&D in food manufacturing, which amounted to $160 million in 2010. Revenues from bioproducts amounted to $1.15 billion in 2008 and $1.43 billion in 2009 according to the 2009 Bioproducts Production Development Survey.

Researchers enhanced knowledge and developed technology to help the sector capture new business opportunities in emerging markets for food, feed, fibre, health and wellness, energy, and industrial products and ingredients. Since 2000, AAFC has received nearly $65 million in net revenues from licensing its intellectual property. The Department holds over 500 licenses

with commercial partners. Its scientists have developed over 750 new cultivars including cereals, oilseeds, forages, and pulses, as well as fruits and vegetables. Novel technologies developed by AAFC scientists have improved the well-being of Canadians with breakthroughs in functional foods and bio-control products that improve food safety, reliability and quality.

AAFC's Developing Innovative Agri-Products initiative (www.agr.gc.ca/agri-products) supported 41 industry-led science and technology projects, with $41.1 million approved with industry matching $18.6 million, for a total investment of $59.7 million. The Canadian Agri-Science Cluster Initiative (www.agr.gc.ca/agriscience-clusters) helped industry-led organizations pull together scientific resources. AAFC committed $68.8 million, industry $22.4 million and other governments $3 million, for a total investment of $94 million, resulting in 217 research projects, more than 200 publications, and some 300 university students working on clusters research.

The Agricultural Innovation Program (AIP) (www.agr.gc.ca/aip) is a two-year, $50-million program ending on March 31, 2013, and consisting of two streams: Knowledge Creation and Transfer, and Commercialization. The Knowledge Creation and Transfer stream aims to accelerate research and development, availability, application, and transfer of knowledge and technologies in the sector, by providing funding to develop an innovation strategy and implement applied science and technology development projects. This initiative has received 106 applications; seven have been approved representing $1.4 million. Another 70 projects are currently under review. The Commercialization stream aims to help commercialize and adopt agri-based innovations to increase the competitiveness and economic sustainability of the agricultural, agri-food or agri-based sector. The Commercialization Stream has received 50 applications and three have received approval representing investment of $7.1 million.

The Canadian Agricultural Adaptation Program (www.agr.gc.ca/caap), a five-year, $163-million program, helps the sector respond to emerging issues and enhance competitiveness. As of March 2012, 536 projects had been approved with a commitment of $84.6 million.

The Agri-Processing Initiative (API) (www.agr.gc.ca/api), is a five- year, $50-million initiative for adopting innovative manufacturing technologies. API proved very popular with industry, with 47 contribution agreements signed by the end of March 31, 2012. Of those 47 companies, 13 completed their upgrades in 2011–12.

The eco-Agriculture Biofuel Capital Initiative (www.agr.gc.ca/ecoABC) provided repayable contributions to produce renewable fuels. Under this initiative, $53 million was committed to nine projects, with an additional $48 million invested by more than 530 farmers, resulting in 690 million new litres per year of biofuel production.

Lessons Learned

Science at AAFC was reviewed by the Office of the Auditor General (OAG), covering a span of about four years, beginning in 2005–06. The findings of this audit are covered in the spring 2010 OAG report. AAFC launched several actions to address the concerns raised in the report, including more timely sharing of research results, better performance measures that reflect national research priorities, initiatives to address human resource needs, a capital investment plan, and mechanisms to enhance research partnerships.

In 2011–12, AAFC completed a meta-evaluation (analysis of the results of individual evaluations) of 12 of the Department's innovation programs (http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1326499789941&lang=eng). The evaluation found that, overall, the programs were aligned with federal and AAFC priorities and that government support was important in overcoming barriers to innovation in the agriculture sector. Recognizing the significant time required in seeing results from innovation initiatives, the evaluation also found that the programs were, overall, making progress towards the achievement of expected outcomes. The evaluation recommended a comprehensive innovation strategy that includes a clear definition of innovation, clear roles of all stakeholders, and programming aligned with innovation priorities. In response to these findings, AAFC is leading the development of a five-year Innovation Strategic Plan (ISP). The ISP is in direct response to the meta-evaluation and addresses innovation at the departmental level of the Program Activity Architecture.

Program Activity 3.2: Agri-Business Development

Program Activity Description

AAFC builds awareness of the benefits and encourages the use of sound business management practices, while also enabling businesses in the sector to be profitable and invest where needed to manage the natural resource base sustainably and to market and produce safe food and other products. The Agri-Business Development program funds provincial and territorial activities related to business management practices and skills that: strengthen the capacity of businesses in the sector to assess the financial implications of business improvements, including the impact of environmental plans, food safety systems and innovation projects on their business profitability; manage transformation, respond to change and adopt innovation in business operations; and help agri-business owners understand their financial situation, implement effective action and business management plans/practices and provide for enhanced participation by young or new entrants, First Nations clients, and clients in specific sub-sectors in transition.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
87.9	129.8	116.3

Difference in financial resources is largely due to previously approved funding being carried forward and a realignment among Program Activities.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
42	42	0

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Increased realization of business goals	Percentage of participating businesses in Agri-Business Development program activities meeting their business/career goals	55% by March 31, 2013	70%

Performance Summary and Analysis of Program Activity

Key initiatives that helped farmers realize their business goals in 2011–12 included:

- the Farm Debt Mediation Service (FDMS) (www.agr.gc.ca/fdms) that helped insolvent agricultural producers and their creditors arrive at mutually satisfactory arrangements;
- the Business Development Program (http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1238591099980&lang=eng) that encouraged the use of sound business management practices;
- the Career Focus Program (www.agr.gc.ca/careerfocus) that funded agricultural internships that employ recent graduates in agriculture, agri-food science and veterinary medicine; and
- the Slaughter Improvement Program that provided repayable federal contributions to support private sector investments aimed at reducing costs, increasing revenues and improving operations of meat slaughter and processing facilities. Fiscal year 2011–12 was the last year for this program.

Achievements to date indicate that the performance targets for the Agri-Business Development Program Activity will be met. For example:

- 75% of FDMS applicants between 2007–08 to 2009–10 were successful in signing an arrangement with their creditors (http://publications.gc.ca/collections/collection_2012/agr/A118-16-2011-eng.pdf);
- the 2007 Client Impact Survey and the 2007 National Renewal Survey showed 89% of farmers were achieving their most important business goals; 64% said renewal programs (now the Business Development Program) contributed to this result (Results from the 2012 National Renewal Survey are expected in 2012–13); and
- an evaluation of the Youth Employment Strategy published in 2009 indicated that the Career Focus Program is helping develop job skills and increasing employment opportunities and earned income (The next five-year evaluation is expected by 2014–15.) (http://www.hrsdc.gc.ca/eng/publications_resources/evaluation/2009/sp_ah_911_08_09e/page03.shtml).

Lessons Learned

A sustained effort is required to collect the data necessary for performance measurement. Regional responsiveness of programs is important to meet clients' varied needs. Raising awareness of programs is required to ensure a high level of uptake.

Program Activity 3.3: Rural and Co-operatives Development

Program Activity Description

Rural and Co-operatives Development supports community development through two distinct components: first, it leads an integrated, government-wide approach, called Canada's Rural Partnership, through which the government aims to coordinate its policies towards the goal of economic and social development and renewal of rural Canada. It develops partnerships with federal departments, provincial and rural stakeholders and offers tools to enable rural communities to use their innovative capacity to capture the value of local amenities, and to achieve greater local or regional economic competitiveness. Second, it facilitates the development of co-operatives as an effective self-help tool for Canadians and communities to address their needs and capture economic opportunities. It provides advice across government on policies and programs affecting co-operatives and builds partnerships within the federal government and with the co-operative sector, the provinces and other key stakeholders to support the development of co-operatives.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities	Actual Spending
25.0	25.6	20.3

Actual Spending was less than Total Authorities partly due to fewer approved projects under the Community Development Program.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
94	90	(4)

Program Activity Performance Summary

Expected Results	Performance Indicators	Targets	Actual Results
New economic activities are being developed in rural communities	Number of communities that identified and assessed their local natural and cultural amenities	25 (for the year) by March 31, 2012	16
Canadians are better able to utilize the co-operative model to meet their economic and social needs	Number of co-operatives created	40 (for the year) by March 31, 2012	45

Performance Summary and Analysis of Program Activity

Through Canada's Rural Partnership (CRP) (www.rural.gc.ca), AAFC worked with government and non-government organizations to help rural communities identify and assess their local natural and cultural amenities. Although fewer projects were approved than projected, 16 rural communities participated in the Community Development Program. As well, the Department worked in partnership with other departments and community organizations in 17 rural zones across Canada to address barriers to access to decision-making services, such as: community and regional planning services, succession planning services and asset mapping.

The federal Sand Plains Community Development Fund came to a close on March 31, 2012. The program was created to assist rural communities in the Sand Plains region of southern Ontario to build a stronger, more diversified economy. In 2011–12, the fund provided $3.4 million for 15 projects to assist new and existing businesses to capture emerging markets, diversify production and capitalize on local opportunities. It also provided more than $600,000 to nine community initiatives aimed at exploring innovative opportunities in sustainable community and regional development. Overall, the fund helped create or maintain 278 jobs during the year.

AAFC continued to work with the co-operative sector, providing advisory services and funding innovative projects to enhance the ability of co-operatives to meet Canadians' economic and social needs. Efforts focussed on agriculture, rural and northern development, and innovative goods and services. In 2011–12, the Innovative Co-operative Projects component helped 61 groups do feasibility assessments, access start-up assistance and expand existing co-operatives. Further, as a result of federal support, 45 co-operatives were created during the year.

The United Nations has proclaimed 2012 as the International Year of Co-operatives. AAFC played a lead role in planning awareness activities, notably by launching, in partnership with the sector, a dedicated website and producing a guide to government programs and services available to co-operatives (http://www.canada2012.coop/en/government_of_canada/Guide).

Lessons Learned

In terms of rural development, the main lesson learned from in-the-field partnership work, as well as from analysis of funded projects and research, is that local communities must play a direct role in developing initiatives. Further, opportunities for leadership development and access to professional expertise and information about government programs must be enhanced so individual communities can decide on future direction and take actions.

An external study on the impact of co-operative advisory services concluded that services are more effective when linked to local development agencies and federal or provincial departments and agencies whose mandates include co operative development.

Program Activity 3.4: Canadian Pari-Mutuel Agency

Program Activity Description

Section 204 of the Criminal Code of Canada designates the Minister of Agriculture and Agri-Food as the individual responsible for the policy and regulatory functions pertaining to pari-mutuel wagering on horse races. The Canadian Pari-Mutuel Agency (CPMA) is a special operating agency within AAFC that regulates and supervises pari-mutuel betting on horse racing at racetracks across Canada, with the objective of ensuring that pari-mutuel betting is conducted in a way that is fair to the betting public. Costs associated with the activities of the CPMA are recovered through a levy on every dollar bet on horse races in Canada. The levy is currently set at eight-tenths of a cent of every dollar bet. CPMA's strategic plans are focussed on regulating and supervising pari-mutuel wagering on horse races in the most modern, effective and transparent manner.

2011–12 Financial Resources ($ millions–net)

	Planned Spending	Total Authorities	Actual Spending
Gross	11.2	15.1	10.9
Less: Respendable Revenue	11.2	11.2	11.1
Net	0.0	3.9	(0.3)

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual	Difference
53	47	(6)

Program Activity Performance Summary

Expected Result	Performance Indicator	Target	Actual Result
Pari-mutuel betting is conducted in a way that is fair to the Canadian betting public	Percentage of compliance with the Pari-Mutuel Betting Supervision Regulations of Canadian racetracks and betting theatres inspected by CPMA officers	100% by March 31, 2012	100% compliance There are no outstanding issues of regulatory non-compliance for any pari-mutuel operator licensed by the Canadian Pari-Mutuel Agency

Performance Summary and Analysis of Program Activity

Performance measures indicate ongoing regulatory compliance of approved pari-mutuel activity.

Outreach activities that promoted understanding and compliance with new regulatory requirements have ensured the smooth introduction of changes to the regulatory model that governs the conduct of pari-mutuel betting in Canada on horse racing. The amendments provided a more modern, efficient and transparent regulatory model to protect the interests of the betting public while allowing horse-racing providers to compete in an increasingly competitive gaming environment.

A review of audited pari-mutuel pools confirmed that all were correctly calculated and distributed in accordance with regulations. Supervision of approved pari-mutuel activities including field audit verifications established the ongoing compliance of licensed pari-mutuel operators.

The effective delivery of the CPMA's Equine Drug Control Program (http://www.agr.gc.ca/EquineDrugControlProgram) helped ensure that the outcomes of horse races were not affected by the inappropriate administration of drugs or medicaments. A review of the equine samples collected under the program confirmed that the performance target had been fully met.

Lessons Learned

Non-core programs were discontinued so the CPMA, under its current financial situation, could continue to deliver appropriate services and activities to help assure the integrity of approved pari-mutuel activity. Consultations with provincial stakeholders have identified a shared desire to coordinate activities that support the ongoing delivery of a national approach to equine drug control.

Program Activity 4.1: Internal Services

Program Activity Description

Internal Services are groups of related activities and resources that are administered to support all Strategic Outcomes and the needs of programs and other corporate obligations of the Department. Only those activities and resources that apply across the Department, and not those provided specifically to a program, are included. Internal Services consists of the following groups of activities:

- Management and Oversight, which include: Strategic Policy and Government Relations; Program/Service Management; Planning, Performance and Reporting; and Internal Audit and Evaluation; Communications Services; and Legal Services;
- Resource Management Services, which include: Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; and Travel and Other Administrative Services; and
- Asset Management Services, which include: Real Property Services; Materiel Services; and Acquisition Services.

AAFC is a participant in the Federal Sustainable Development Strategy (FSDS) and contributes to the Greening Government Operations targets through the Internal Services program activity. The Department contributes to the following target areas of Theme IV (Shrinking the Environmental Footprint – Beginning with Government) of the FSDS: green buildings, greenhouse gas emissions, green procurement, e-waste, printer management, paper consumption, and green meetings.

2011–12 Financial Resources ($ millions–net)

Planned Spending	Total Authorities*	Actual Spending*
306.0	350.7	347.7

Difference in financial resources is largely due to a realignment among Program Activities.

* Excludes amount deemed appropriated to Shared Services Canada.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

Planned	Actual*	Difference
2,154	2,095	(59)

The decrease in FTEs is primarily a result of attrition and a reduction related to a transfer to Shared Services Canada to consolidate and transform IT infrastructure across government.

* Excludes FTEs deemed appropriated to Shared Services Canada.

Planning Highlights	Performance Analysis
Greening Government Operations The Federal Sustainable Development Strategy (FSDS) includes Theme IV (Shrinking the Environmental Footprint – Beginning with Government), which consists of a single goal, Greening Government Operations (GGO). Government-wide targets have been established to achieve this goal. For example, by March 31, 2014, each department will reuse or recycle all surplus electronic and electrical equipment in an environmentally sound and secure manner. The FSDS targets for GGO are particularly applicable to AAFC, which is a large federal custodian of buildings (2,360), land (940,000 hectares), fleet (1,200) and equipment ($213 million) with annual procurement of $250 million. AAFC operates this portfolio in order to deliver its programs and services, conduct agricultural and agri-food research across Canada, and achieve results for Canadians. As a large federal custodian, AAFC is committed to making progress towards the GGO targets.	AAFC made good progress in the first year of the Greening Government Operations initiative. All targets received a self-assessment status as either *On Track* or *On Track to Exceed*, with the exception of the Printing Unit Reduction Target, which received a self-assessment status of *Opportunity for Improvement*. Fiscal year 2011–12 highlights include the adoption of the AAFC *Green Meeting Guide*, the development of a *Green Building Strategic Framework* the *Electronic and Electrical Equipment Implementation Plan*, as well as concrete results associated with 16.2% and 15.5% reductions from base years for greenhouse gas emissions and paper consumption, respectively. For Target 8.7, relating to the printing unit reduction targets, efforts are on-going in 2012–13 towards completing an exemption analysis for printing units and FTEs, as well as progressing toward the target ratio of printing units to employees. A gap was identified in Target 8.11 relating to performance evaluations of functional heads of procurement and material management. The intent of the target was to capture 2011–12 and 2012–13 performance agreements, with an interim target of 70% for 2011–12 and final target of 100% for 2012–13; however, the wording of the target was for "all" by March 31, 2012. AAFC will report in-line with intent of the target.

Planning Highlights	Performance Analysis
Human Resources Management Human resources (HR) planning is a key component of AAFC's integrated planning approach. It supports departmental Strategic Outcomes and the priorities described in Section I by identifying key human resources issues facing the Department over the next three years and developing the strategies to address them. Key issues identified include: • projected gaps as the wave of 'baby boomer' retirements begins to crest; • skill and knowledge gaps in key areas; and • continued development of a diverse and inclusive workplace. Strategies to achieve the Department's goals in these areas include: • an effective values-based staffing system that helps attract, develop and retain employees at all levels; • enhanced opportunities for career and skill development and continuous learning, with a focus on supervisory skills and competencies; and • new leadership development and mentoring programs with employment equity components. A new three-year integrated HR plan will be developed during 2011–12 to address the subsequent three-year planning horizon. This new plan will adjust the departmental HR strategy and key initiatives based on new and emerging business and HR challenges.	To help ensure that AAFC's staffing system is efficient, effective and values based, the Department implemented a rigorous approach to monitoring staffing, one that was focused on adherence to policy, legislation, and core and guiding values. AAFC's *Staffing and Recruitment Strategy* was also renewed for 2011–13. AAFC approved the design of the Management and Leadership Development Program (MLDP) in December 2011. The MLDP will be launched in 2012–13 with 50 participants and expanded to 100 participants in subsequent years. First participants were nominated based on criteria to help ensure diversity in the learning groups. Following the success of the pilot in 2010–11, AAFC's National Mentoring Program became fully operational in 2011–12, with 247 participants in 125 mentoring pairs and strong Employment Equity representation. The Mentoring Program will accept additional participants in 2012. AAFC also launched a new pilot project to support succession planning and development of future executives. The new departmental HR Plan was delayed in view of an internal audit of integrated HR planning in 2011–12. The audit found that AAFC made progress towards aligning its human resources with its business objectives. Opportunities were identified to improve human resources planning and reporting. AAFC began improving its integrated HR planning process, which will be reflected in the upcoming departmental three-year integrated HR plan.

Planning Highlights	Performance Analysis
Information Management and Information Technology (IM/IT) AAFC will continue to invest strategically in IM/IT through collaborative efforts with other federal departments, strategic partnering and shared services. The Department follows the principles adopted in the federal government's model for shared services, promoting and building upon effective and cost-efficient initiatives for services that provide value to the Canadian public. Some of the initiatives going forward in 2011–12 consist of providing financial systems services to Natural Resources Canada, and developing a system for managing human resources that will serve multiple departments, with Fisheries and Oceans Canada, Health Canada and the Public Health Agency of Canada as the pilot departments. Other partnership opportunities that are being explored include sharing of data centre and video conference facilities.	AAFC continued to apply shared services as a means to achieve prudent financial stewardship and overall efficiencies and effectiveness. Examples included: • Natural Resources Canada was successfully added to the financial system (SAP) services cluster; • Health Canada, Public Health Agency of Canada and the Department of Fisheries and Oceans were added to the human resources management system (PeopleSoft) services cluster; and • Industry Canada is now hosting the Canadian Agriculture Loan Application system for AAFC.
Internal Audit and Evaluation AAFC will continue to implement its three-year Risk-Based Internal Audit Plan to assess the Department's risk management, control and governance processes. AAFC's Five-Year Evaluation Plan will continue to be implemented so that timely, credible, and neutral evidence is available on the ongoing relevance and performance of programs. This will be especially important to inform development of the next agriculture policy framework and to support reporting to Canadians, as will the actions AAFC is taking to enhance its performance measurement activities.	Audit engagements were completed as planned in the *2011–14 Risk-Based Audit Plan*. Five audit reports were published in 2011–12, two related to contribution programs and three to internal services. Four evaluation reports were completed, including a Meta-Evaluation of AAFC's Innovation Programs, as well as evaluations of the Agricultural Disaster Relief Program, the administrative aspect of the Agriculture Marketing Programs Act, and the Genomics Research and Development Initiative (a horizontal evaluation led by the National Research Council). A Review of the Plum Pox Eradication Program, led jointly by AAFC and CFIA, was also completed. The second *Annual Report on the State of Performance Measurement* at AAFC and the first annual *Head of Evaluation Report* on the health of AAFC's evaluation function were completed.

Planning Highlights	Performance Analysis
Service Delivery AAFC strives to be a leader in the design and implementation of citizen-centred, responsive programs and services that contribute to a profitable and sustainable agriculture and agri-food sector. Projects and initiatives will be undertaken in the reporting period with partners and stakeholders in the following areas: • Understanding the client: By profiling clients' needs, wants, perceptions, and behaviour, AAFC will be better able to deliver programs and services that address specific client requirements. Client satisfaction surveys and public opinion research will help focus efforts to improve service delivery; • Communicating offerings: A web-based discovery tool, a new web portal and optimal use of government call centres will provide easier and timely access to information and services; and • Enhancing and improving delivery with partners: Standardizing business practices and putting AAFC people and knowledge in those places where they can make more of a difference, especially to the environment, will result in improved service delivery. In addition, service standards will be increasingly integrated in AAFC's planning, reporting and performance management processes. Meeting service standards and targets demonstrates that the Department is responsive to the needs of taxpayers and benefits recipients. This helps establish credibility of its operations and contributes to increasing the level of confidence that Canadians can place in government.	Service standards were successfully implemented for all federally delivered transfer payment programs, reflecting a commitment to client service and increased transparency.These service standards are continuously monitored to measure success and identify any areas for improvement. AAFC was meeting its service standards 93% of the time. Client surveys helped compare satisfaction levels among different client groups, as well as across service delivery channels. AgPal, a tool designed to help clients find program related information online, was the result of collaboration among AAFC, Farm Credit Canada, Ontario, and Nova Scotia. It has received very positive client feedback. Numerous activities were initiated in 2011–12 to standardize business practices related to grants and contributions (G&C) programs, helping achieve administrative efficiencies in the Department and reduce the administrative burden for clients. For example: • reporting requirements for G&C recipients were linked to risk levels (i.e., low risk recipients would have fewer reporting requirements than higher ones); • a standard contribution agreement template was implemented for all non-Business Risk Management programs, with the objective to reduce the time and effort for both program staff and clients related to the drafting contribution agreements; and • new conflict of interest guidelines were introduced for all program staff to ensure the integrity of the G&C process throughout all departmental programs.

Planning Highlights	Performance Analysis
Financial Management Controls AAFC will continue to make progress towards strengthening its documentation and testing of internal controls over financial reporting to support its obligations under the *Treasury Board Policy on Internal Controls* and to satisfy a commitment to undertake a risk-based assessment of internal controls by the end of fiscal year 2012–13.	AAFC made significant progress during 2011–12 in completing an assessment of internal controls over financial reporting one year earlier than planned. This assessment included preparing comprehensive documentation of departmental key business processes based on the *Common Business Processes* published by the Office of the Comptroller General and conducting testing of the design and operating effectiveness of its internal controls over financial reporting. This completed assessment of internal controls over financial reporting will provide a solid basis upon which the Department is able to monitor and report annually on the ongoing effectiveness of internal controls as required under the *Policy on Internal Controls* issued by Treasury Board Secretariat.

Changes to Government Structure

Shared Services Canada

Order in Council P.C. 2011-0881 established Shared Services Canada as a department, effective August 4, 2011. Subsequent Orders in Council, P.C. 2011-0877 and P.C. 2011-1297, transferred the control and supervision of certain portions of the federal public administration related to information technology infrastructures services.

Impacts on Financial and Human Resources Resulting from the Establishment of Shared Services Canada

2011–12 Financial Resources ($ millions–net)

	Planned Spending	Total Authorities*
Net transfer post Orders in Council (OIC)** to Shared Services Canada (SSC)	12.0	12.0

* Pursuant to section 31.1 of the *Financial Administration Act* and Orders in Council P.C. 2011-0881, P.C. 2011-0877 and P.C. 2011-1297, this amount was deemed appropriated to SSC, which resulted in a reduction in the appropriation for AAFC.

** Total Authorities, as presented in the 2011–12 Financial Resources table (and other relevant tables) in the Summary of Performance section, is the net of any transfers to SSC. Actual spending does not include expenditures incurred on behalf of SSC as of the OIC date.

2011–12 Human Resources (Full-Time Equivalents–FTEs)

	Planned	Actual
Deemed appropriated to SSC	30	30

Section III: Supplementary Information

Financial Highlights

The financial highlights presented within this Departmental Performance Report are intended to serve as a general overview of the Department's financial position and operations. More detailed information is provided in the Department's financial statements which are prepared using an accrual basis of accounting.

Condensed Statement of Financial Position (Unaudited) As at March 31, 2012 ($ millions)			
	Change %	**2011–12**	**2010–11***
Total net liabilities	-19.7%	1,626.0	2,025.8
Total net financial assets	-21.4%	1,393.1	1,773.2
Departmental net debt	-7.8%	232.9	252.6
Total non-financial assets	-4.1%	386.5	403.0
Departmental net financial position	2.1%	153.6	150.4
Condensed Statement of Operations and Departmental Net Financial Position (Unaudited) For the Year Ended March 31, 2012 ($ millions)			
	Change %	**2011–12**	**2010–11***
Total expenses	-8.4%	2,621.8	2,862.5
Total revenues	18.7%	64.2	54.1
Net cost of transferred operations**	-50.6%	11.6	23.5
Net cost of operations before government funding and transfers	-9.3%	2,569.2	2,831.9
Departmental net financial position	2.1%	153.6	150.4

* Balances for 2010–11 have been restated from those presented in the 2010–11 Departmental Performance Report to conform with the revised Treasury Board accounting standard for departmental financial statements. See the Department's financial statement Note 17 for more detail.

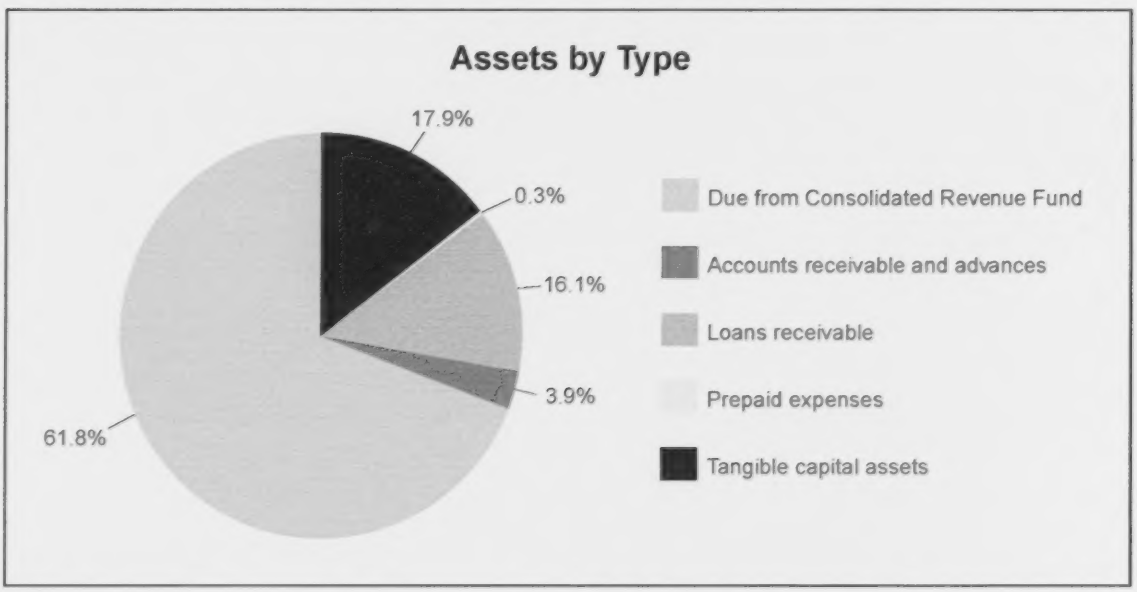
** Includes expenses related to operations transferred to Shared Services Canada.

Financial Highlights — Graphs

Assets

The Department held, at the end of 2011–12, total gross financial assets of $1,735.7 million which are presented net of financial assets held on behalf of government, consisting primarily of loans receivable. The Department also held non-financial assets totalling $386.5 million

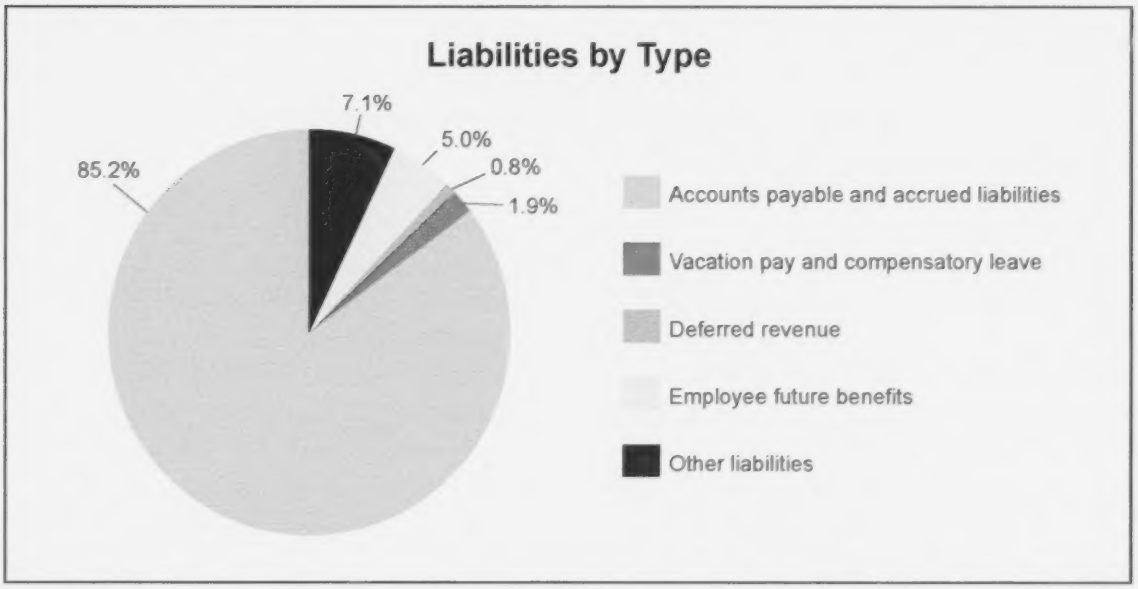
Total net financial assets at the end of 2011–12 were $1,393.1 million, a decrease of $380.1 million over previous year's total net financial assets of $1,773.2 million. This was mainly due to a reduction in the balance in Due from Consolidated Revenue Fund ($392.7 million), which was partially offset by an increase in accounts receivable and advances. Amounts due from the Consolidated Revenue Fund represent a charge against departmental authorities and are available for use to the Department in future periods without further authorities.



Liabilities

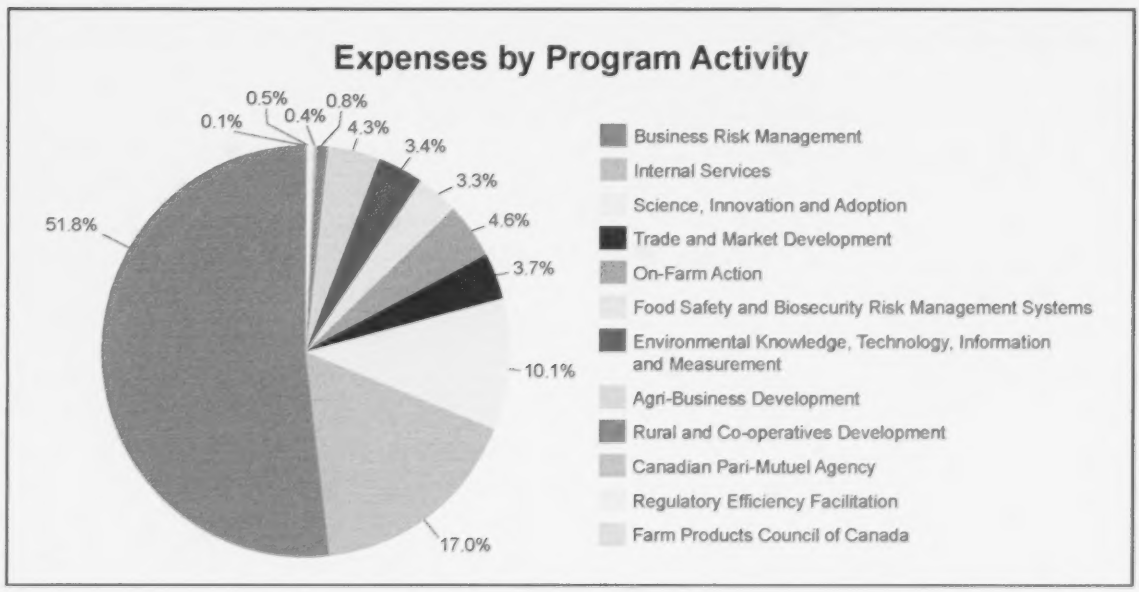
Liabilities arising from departmental activities consisted primarily of accounts payable and accrued liabilities, the majority of which were related to accruals in support of programs such as AgriStability and AgriInvest that were delivered in 2011–12. The Department does not hold any liabilities on behalf of government.

Total liabilities at the end of 2011–12 were $1,626.0 million, a decrease of $399.8 million over previous year's total liabilities of $2,025.8 million. This was mainly due to decreases of $186.9 million in accounts payable and accrued liabilities, $27.8 million in employee future benefits and $179.2 million in other liabilities.

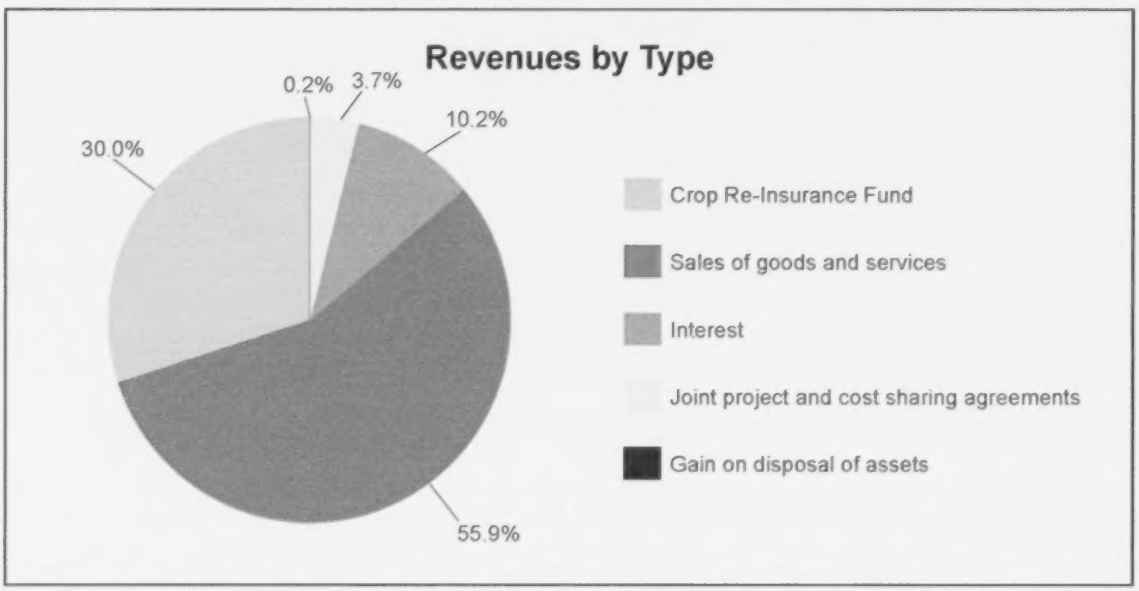


Expenses and Revenues

Expenses incurred and revenues earned, in support of AAFC's programs and services that benefited Canadians during 2011–12, are detailed in the following charts.



Total expenses were $2,621.8 million in 2011–12, a decrease of $240.6 million over previous year's total expenses of $2,862.5 million. This was primarily due to a decrease of $231.6 million in Business Risk Management and a decrease of $65.2 million in Science, Innovation and Adoption; these decreases were offset by an increase of $34.3 million in Internal Services.



Note: Revenues earned on behalf of government are included in this chart.

Total revenues earned of $115.2 million in 2011–12 were primarily comprised of $64.3 million in sale of goods and services (55.9%), followed by $34.6 million in Crop Re-insurance Fund premiums (30.0%) and are presented net of revenues earned on behalf of government in the departmental financial statements. Total net revenues were $64.2 million in 2011–12 compared to $54.1 million in 2010–11, an increase of $10.1 million. This was mainly due to an increase of $10.2 million in sales of goods and services resulting primarily from the recognition of internal support services revenue from other government departments beginning in 2011–12.

Financial Statements

The Department's financial statements can be found on AAFC's website at: www.agr.gc.ca/FinancialStatements.

List of Supplementary Information Tables

Electronic supplementary information tables listed in the 2011-12 Departmental Performance Report can be found on AAFC's website (http://www4.agr.gc.ca/AAFC-AAC/display-afficher.do?id=1348585375919&lang=eng#s3.4).

- Details on Transfer Payment Programs
- Greening Government Operations
- Horizontal Initiatives
- Internal Audits and Evaluations
- Response to Parliamentary Committees and External Audits
- Sources of Respendable and Non-Respendable Revenue
- Status Report on Major Crown/Transformational Projects
- Status Report on Projects Operating With Specific Treasury Board Approval
- Up-Front Multi-Year Funding
- User Fees Reporting

Section IV: Other Items of Interest

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